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Today's
Special Report

AVIATION
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No. 34,925

U.S. Deal With Russia To Salvage Uranium Is Quickly Unraveling

By William J. Broad
New York Times Service

NEW YORK — Three years after Russia agreed to provide the United States with uranium from scrapped Russian nuclear weapons, the deal is unraveling, prompting a quiet struggle to save the accord, federal and private experts say.

Russia was to get \$12 billion in desperately needed hard currency, and the United States was to get 500 metric tons of bomb-grade uranium, which was to be diluted to make fuel for American nuclear power plants and ultimately electricity for consumers.

In addition to bolstering national security for the United States, the agreement was expected to strengthen the shaky Russian economy, reduce the risks of nuclear accidents and theft and, less explicitly, help disarm a former foe. Further, it was not expected to cost taxpayers anything, since revenues from the sale of reactor fuel were to offset the total \$12 billion cost.

But efforts to carry out the three-year-old deal have been stymied by administrative mistakes, disagreements over pricing for the uranium and even trade disputes, the experts say. On Tuesday, the Senate Energy Committee is to hold a hearing on aspects of the deal, which the Russians are privately threatening to drop.

The unraveling of the deal is on the agenda for Vice President Al Gore and Prime Minister Victor S. Chernomyrdin of Russia, who are to meet late this month in Moscow. The administration wants to resolve the problems, if only to give Russia a source of nuclear revenues other than Iran and rogue states interested in acquiring atomic weaponry.

Republicans have strongly criticized the Clinton administration for not pressing Russia harder to drop plans to sell Iran nuclear reactors, which could serve as the basis for an atomic-bomb program.

The innovative agreement was an-

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Chernobyl: Another Disaster Just Waiting to Happen?

By James Rupert
Washington Post Service

CHERNOBYL, Ukraine — Standing in a parking lot at the Chernobyl nuclear power plant last month, Pavel Pokutny gazed at the gray, 20-story concrete tomb that protects the outside world from the radioactive corpse of a destroyed nuclear reactor.

"It looks pretty decent," said Mr. Pokutny, a deputy director of the Ukrainian agency that maintains the tomb. "We just painted it three months ago. Of course, it has about 300 square yards of cracks and holes in it — and the paint can't seal those."

Nine years after Chernobyl's Reactor No. 4 exploded, irradiating most of Europe and points as distant as California, the tomb encasing it is deteriorating faster than expected, and radiation is seeping into the air and water.

Ukrainian and Western scientists say it

could collapse in a severe earthquake, releasing radioactive dust. And they remain concerned about inadequate safety at Chernobyl's remaining two working reactors.

In Nova Scotia this week, President Bill Clinton and leaders of the closest U.S. allies will discuss whether to provide extra help that Ukraine is seeking to close Chernobyl by 1999 and pursue a final cleanup. Last year, the United States offered this economically depressed nation \$38 million in grants as part of an \$800 million international package to help pay for the project.

But as plans to clean up Chernobyl take shape this spring and summer, the aid offered so far could represent little more than a down payment. Preliminary studies, said James Rosenzweig, spokesman for the Association of European Automobile Makers in Brussels.

See REACTOR, Page 6



A BIRD? A BATMOBILE? — The U.S. Air Force's B-2 Stealth bomber being refueled over the North Sea on its return to base in Missouri. The plane appeared at the 41st Paris air show, where the competition is heating up. Page 15.

Serbs to Keep Hostages to Deter New UN Force

Western Officials Fear Use of Captives to Foil Rapid Reaction Unit

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — The Bosnian Serbs will probably not release all the peacekeepers still being held hostage until the United Nations Security Council decides on a new mandate for the Bosnian mission, Western officials said Monday.

The officials, who spoke on condition of anonymity, said it appeared that the Bosnian Serbs had shifted from holding the UN hostages as insurance against further North Atlantic Treaty Organization air strikes to detaining them as political leverage against any reinforcement of the peacekeepers' mandate.

The UN mission here, headed by Yasushi Akashi, has already come close to bowing to the Serbian demand that there be no more NATO air strikes by declaring that it will "abide strictly by peacekeeping principles until further notice."

The role of a new 10,000-strong international rapid reaction force within the UN mandate remains to be determined.

"Our impression is now that at least a few hostages will remain until things are clarified on the rapid reaction force and the new mandate," one official said. The Security Council's deliberations on the new mandate are unlikely to be concluded before the end of this week.

In the Serbian stronghold of Pale, there were indications that more hostages might be released Tuesday or Wednesday. "We will have news about the prisoners tomorrow," said Radovan Karadzic, the leader of the Bosnian Serbs. In Belgrade, the Beta news agency, whose reports on the hostages have so far been accurate, said a group could be released by Wednesday.

More than two weeks after they were taken hostage, there are still 52 peacekeepers detained by the Serbs, including one apparently being kept in isolation at a Serbian radar station on Mount Jahorina that is viewed in Pale as a potential NATO target. A total of 232 peacekeepers have already been released.

A spokeswoman for President Jacques Chirac of France said Monday that he had received assurances from the Serbian president, Slobodan Milosevic, on Sunday that the remaining hostages would be released "very soon." Mr. Milosevic said the same thing to Mr. Chirac a week ago.

Mr. Akashi has adopted a conciliatory tone on the hostages' plight, noting Friday that their release may be slow, without raising any objection to the pace. His Zagreb office has reprimanded the UN Sarajevo spokesman, Alexander Ivanko, for being too pugnacious in his accounts of the hostages' situation.

It was Mr. Ivanko, a Russian, who called the Serbs "terrorists" for seizing the hostages, a statement that earned him death threats from Pale. On Monday, he stood by his statement, saying that "taking hostages is an act of terrorism under international law. That's a fact and it has not

See BOSNIA, Page 6

Europe Wins as Washington and Tokyo Fight Over Cars

By Nathaniel C. Nash
New York Times Service

FRANKFURT — Taking advantage of the bitter auto trade dispute between the United States and Japan, Europe is playing each side against the other in an effort to secure gains in the Japanese auto market for its own companies while emerging with an image as the ultimate protector of free trade.

In dealings with Americans, European officials have harshly condemned the trade sanctions Washington has threatened against Japanese car imports as well as

demands by the Clinton trade officials that Japan accept target exports of American cars and car parts.

Yet in private meetings with U.S. officials, the same European officials have said they hoped that Washington succeeded in prying open Japanese markets.

With the Japanese, Europe has defended Japan's assertion that the U.S. trade action is illegal under the new international trading laws. And capitalizing on Japan's need to give the impression it is opening its markets, European Union officials struck a moderate deal with Japan last week that would make it easier for European auto-

makers to pass complicated Japanese inspection requirements.

"This is not the ultimate step in opening the Japanese markets, but it shows progress, and that is what we think counts," said James Rosenzweig, spokesman for the Association of European Automobile Makers in Brussels.

U.S. and Japanese officials in Geneva ended a day of talks on the trade dispute Monday with no sign of progress to head off threatened U.S. sanctions (Page 16).

It was the first formal discussion since Washington announced last month that it

would impose 100 percent tariffs on 13 Japanese luxury cars, effective June 28.

No breakthrough is expected this week, as both sides will be preoccupied with the economic summit meeting in Halifax, Nova Scotia, of the Group of Seven — the United States, Canada, Germany, Britain, Italy, France and Japan.

The European Union had asked to be a participant in the auto talks, citing its fear that the U.S. action "could jeopardize the world trading system." But Washington said no.

European officials, particularly Sir Leon

See AUTOS, Page 6

U.S. and North Cut Nuclear Deal

The Associated Press

KUALA LUMPUR — U.S. and North Korean negotiators completed talks Monday on an agreement to curtail the North's nuclear program and will now present it to their governments for final action.

No details were released on the deal, intended to carry out an accord signed Oct. 21 to dismantle elements of the Communist nation's nuclear program that could lead to development of nuclear weapons. (Page 4.)

Very Sorry in Japan, Except for the War

By Nicholas D. Kristof
New York Times Service

TOKYO — As Japan clears its throat these days for a small, dry cough of remorse about its conduct during World War II, the surprising thing is that in most respects this is the most apologetic country in the world.

It is almost impossible to have a conversation in Japanese without each side apologizing a few times. Collectively, the Japanese people utter or bow billions of apologies a day.

A typical telephone conversation might start like this, in a quite literal translation: "I've called you out of the blue. I'm so sorry that I can't even think of an excuse."

"No, no. By the way, the last time we met, I was terribly rude."

"Not at all. It was I who bothered you."

Business concluded, the callers end in this fashion:

"I'm so sorry that I've taken up your valuable time. I'm so inexperienced that I may be rude, but I hope you don't mind."

"No, no. I may not be up to the standard, so please don't hesitate to point things out to me."

"I'm going to be rude by hanging up."

"Please excuse me."

If Italian is the language for the romantic, then Japanese is a language for the penitent. It would be difficult to imagine a language in which one can grovel so apologetically as Japanese.

So the question is, if Japanese say they are sorry a dozen times a day when they have done nothing wrong, why are they hesitant about apologizing for having killed 10 million or 20 million of their neighbors?

On Friday, the lower house of Parliament finally approved a resolution of remorse for Japanese conduct in World War II. Partly because of bickering among the parties, only about 230 members in the

511-member chamber voted in favor — the rest boycotted or voted no.

In any case, the resolution was so weak that it did not include an apology. The biggest political party, the Liberal Democrats, insisted on excusing the word apology from the draft, so the resolution ended up expressing *hansei*, a word that can variously mean reflection, self-examination or remorse.

The backers of the resolution also had to weaken the wording by replacing a reference to "aggressive acts" with "aggressive-like acts." Americans might think that this would refer to the Japanese attack on Pearl Harbor or the Rape of Nanking, but in fact the reference appears to be principally to European and American actions of that period.

The resolution says that many countries engaged in "colonial rule and aggressive-like acts," and that in this historical context Japan may have done such things, too.

One explanation for the reluctance to

See JAPAN, Page 6



Serbian soldiers in a special volunteer "Super Tigers" unit preparing Monday for a patrol in Serbian-held Croatia.

Gondoliers Ship Oars for Motors

Reuters

VENICE — Gondoliers plan to pull in their oars and switch to motor power to combat increasingly heavy swells on the waters of the Venice Lagoon.

"The swells mean we can't use our oars anymore so four gondolas will have motors fitted to their sterns," said Fulvio Scarpa, head of a Venetian gondoliers' association.

"We can't carry on like this. We've been forced to become taxi drivers and turn the gondola into a mere motor boat," he added.

Outboard motors will be fitted to just four heavy-duty gondolas in an initial experiment, but gondoliers have warned

that they will have to consider modifying the rest of the fleet if nothing is done about the choppy waters.

Venice's 400 gondoliers have staged protests recently against the increasing turbulence of the city's waters.

Construction of channels to allow shipping to reach Porto Marghera on the mainland means that waves are coming closer to the city, while pollution has killed off much of the lagoon's plant life, speeding its effective transformation into a bay.

But the gondoliers' principal activity is still transporting tourists through the city's back canals, so complete motorizing still seems a long way off.

AGENDA

Rabin Allies Say No to Golan Pullback

Compiled by Our Staff From Dispatches

JERUSALEM — Three members of Prime Minister Yitzhak Rabin's Labor party threatened Monday to bring down his government if it moved any closer to withdrawing from the Golan Heights.

The rebels oppose giving back the strategic heights Israel captured from Syria in 1967. They say that returning the Golan in a peace deal would put the Jewish state at risk. "If the issue brings down the government, let the government fall," said Avigdor Kahalani, a retired general and one of the three. "The

Golan is more important than the government."

President Ezer Weizman said Monday that Israel was willing to withdraw from the Golan Heights in exchange for peace with Syria. (Reuters, AP)

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Beirut Looks to the Future

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Dow Jones	Tri Index
Up 22.47	Down 0.06%
4446.45	120.74
The Dollar	Mon. close
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Pound	1.534 1.5345
Yen	84.005 84.35
FF	4.9315 4.9465

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Zimbabwe.....	Zm \$20.00

The Chance of Peace/Beirut Looks to the Future

Quarrels of Its Neighbors Keep Lebanon in Shadow

By John Lancaster
Washington Post Service

BEIRUT — Peace has prevailed here for nearly five years, and from all appearances the Lebanese have embraced it with a vengeance. Nightclubs are booming, streets are jammed with Range Rovers and BMWs and the beaches are buzzing with the sound of Lebanon's latest sports obsession, the jet ski.

There are holsters aplenty on the streets of Beirut, but these days they usually carry cellular phones, not sidearms.

But if life in Lebanon has regained at least a semblance of normality, the process of rebuilding the country has barely even begun. For all the bold talk of a new Hong Kong taking root on the eastern shore of the Mediterranean, Lebanon's future remains hostage to forces almost entirely beyond its control.

With Israel deploying troops in southern Lebanon and Syria occupying much of the rest, Lebanon remains a reluctant party to continuing confrontation between the two countries. Secretary of State Warren M. Christopher returned to the region Wednesday to urge them toward a treaty, which hinges on Syria's demand that Israel withdraw from the Golan Heights, captured from Syria in 1967, in return for full peace and normal relations.

A Syrian-Israeli treaty, many Lebanese believe, would lead to the withdrawal of foreign troops, curb Syrian political influence and, most important, unleash a flood of new investment from expatriate Lebanese heartened by the restoration of national sovereignty and regional peace.

That, in turn, could set the stage for genuine reconciliation among Lebanon's main Christian and Muslim political factions, which remain deeply suspicious of one another under the fragile power-sharing arrangement worked out by the Arab League with U.S. backing in 1989.

Failure to reach agreement, on the other hand, could prove far more dangerous to Lebanon than to either of the two principals, causing economic stagnation or, worst of all, resumption of the civil war that killed 160,000 people from 1975 to 1990.

"Everyone admits that the return to normalcy now hinges on the peace process," said Adnan Iskander, a professor of political science at the American University of Beirut. "Confidence in the political situation has not allowed the Lebanese to return. They won't come back until the situation stabilizes."

SOME progress is evident. The government has begun laying the groundwork for rebuilding the capital's ruined downtown, delegating the task to the private Solidere corporation.

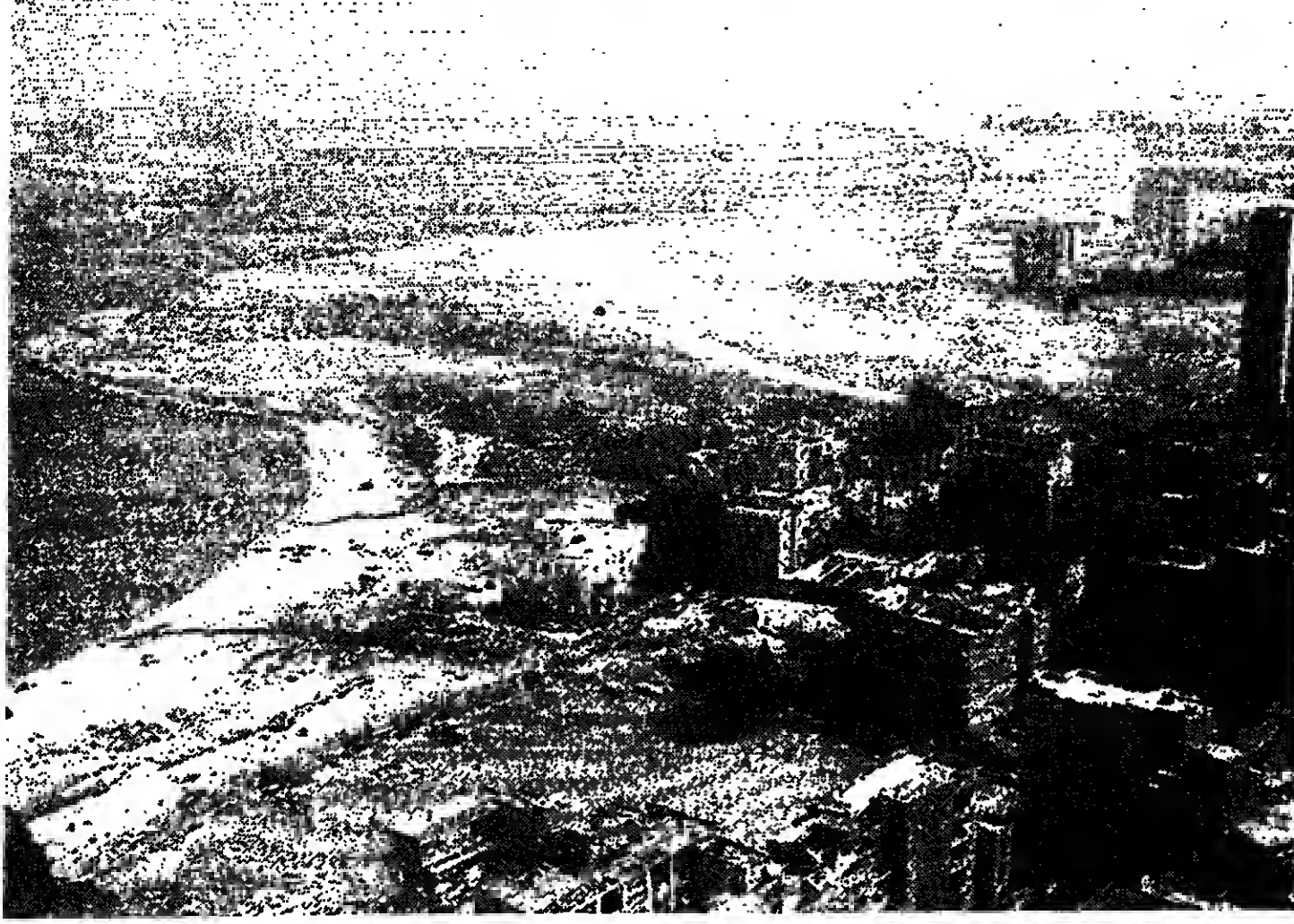
Solidere, whose largest shareholder is Rafiq Hariri, Lebanon's billionaire prime minister, has so far raised \$650 million in cash, and investors eagerly snapped up the first central Beirut plots that went on sale several months ago for a total of \$50 million, company officials said.

Central Beirut is noisy with the rumble of equipment clearing away rubble and refuse and digging trenches for the water, sewer and electrical systems that constitute the first phase of the project.

Along the crowded coast, meanwhile, developers are erecting sleek balconied high-rises where water-view apartments sell for up to \$3 million each. New bars and restaurants are said to be opening at the rate of one every three days.

"People are coming back," said Maher Daouk, son of a prominent Sunni Muslim merchant family and a member of the Solidere board. "People that are professional investors, or developers, they don't fear it. Land is scarce in Lebanon and we have a lot of faith in the future."

Perhaps the heartiest optimists can be found in the Tourism Ministry, which recently reconstituted its statistics department and



Five years after the civil war's end, much of Beirut remains a wasteland of shattered buildings and barely navigable roads.

has begun reopening offices in European capitals in hopes of recapturing some of the business that once accounted for 20 percent of Lebanon's gross national product.

But there are serious obstacles to reinvigorating tourism here. Much of Beirut remains a rubble-strewn wasteland of bullet-riddled buildings and barely navigable roads. Most major hotels have yet to reopen. Especially discouraging for many is the lack of visible progress in restoring basic utilities, in particular telephone service and power, which is available only 6 to 12 hours a day.

Foreign contractors have been hired to remedy both shortcomings, and government officials promise big improvements by the end of the year. In the meantime, however, residents often pay up to \$300 a month for supplementary power from private generators whose steady roar is the background noise of postwar Beirut.

"It's like you're inviting people to dinner and dinner is not ready," Ziad Jounblat, a restaurant owner and consultant, said of the government's efforts to attract new investment. "You don't open here without a generator, without huge water tanks, things that in any other country you take for granted."

EVEN more daunting, perhaps, is the task of political reconstruction in a country where power is so finely apportioned that the president must be a Christian, the prime minister a Sunni Muslim and the speaker of the Parliament a Shiite Muslim.

The arrangement was supposed to ensure a measure of balance among Lebanon's principal religious communities, but the formerly dominant Christians have had a hard time adjusting to their diminished role.

Most Christians boycotted the 1992 parliamentary elections, asserting that the electoral districts were drawn in such a way as to diminish their voting strength, and sectarian rivalries still run deep.

"The Christian militias have been disarmed, but not the others," Cardinal Pierre Nasrallah, the elderly patriarch of Lebanon's Maronite Christians, complained during an interview at his red-roofed palace on a mountain overlooking the Christian stronghold of Jounieh north of Beirut.

"Where there are many Christians in one constituency, they have not been given a chance to elect their own," he said. "The effect is that the Christians are not participating, they have not a word to say in all this and the nation's will is dominated by a foreign" power.

THAT power, of course, is Syria, whose 40,000 occupying troops are a palpable presence even in Beirut, where they man checkpoints decorated with photographs of Syria's president, Hafez Assad.

But Syria's highest influence is in the political arena. Virtually every government decision of consequence is subject to approval from Damascus, to the point where Mr. Hariri's recent move to reshuffle his cabinet prompted no less than three visits in 24 hours from the head of Syrian military intelligence in Lebanon, diplomats and Lebanese said.

"Syria controls everything," said a Lebanese journalist here. "It's a Syrian domain, a Syrian satellite. All major decisions have to be approved by Syrians."

Syria has long considered Lebanon so integral to its domain that it does not even bother to maintain an embassy here. Many Lebanese grudgingly acknowledge that it was Syrian intervention that ended the war and continues to preserve the peace.

But Syria's motive for staying in Lebanon is purely strategic: In the aftermath of separate peace agreements among Israel, the Palestinians and Jordan, President Assad "needs Lebanon as a pressure point," as one Western diplomat put it recently.

The diplomat noted that Mr. Assad has

strictly adhered to the U.S.-brokered ceasefire that ended hostilities in the Golan Heights more than two decades ago. "That's the good face he can deliver," the diplomat said. "In Lebanon, he shows the other side of what he's capable of."

Armed Islamic militias still operate in southern Lebanon, the main reason that the United States continues to prohibit U.S. citizens from traveling to Lebanon. The Lebanese government says the travel ban is a major impediment to both tourism and Western investment.

Under the scenario favored by Lebanon, a Syrian-Israeli accord would be followed in short order by a Lebanese-Israeli treaty, paving the way for an end to hostilities in the south as Syria cuts off supplies to its guerrilla proxies there.

That, in turn, would precipitate an Israeli withdrawal from the area, which Lebanese officials have said would then be secured by 25,000 Lebanese army troops. The Syrians could then begin a phased withdrawal.

That would not come a moment too soon for many Lebanese, who recognize the security benefits of the Syrian presence but resent their neighbor's dominance over what has traditionally been one of the most open societies in the Middle East.

One of them is Beshara, a 26-year-old scuba-diving instructor who said Syrian soldiers detained him overnight several years ago because they took a dim view of his ponytail and motorcycle.

"We have our own government, our own army," he said as he sipped a Mexican beer the other night at the St. George's Yacht Club. "We don't need them."

Asked whether he would stay in Lebanon or return to the United States, where he spent several years with relatives during the war, Beshara thought a moment before answering.

"It's hard to say," he said finally. "We have to see the situation here. What's it going to be? No one knows. Especially us."

Clinton to Expand American Contacts With the Cubans

By Steven Greenhouse
New York Times Service

WASHINGTON — Once the furor over new rules on Cuban immigration dies down, the Clinton administration plans to make an important shift in policy by announcing expanded contacts between Americans and Cubans as a way of undermining Fidel Castro.

Officials are quick to say that they plan to continue to isolate Mr. Castro and maintain the economic sanctions of the last 30 years, which the White House actually toughened last summer. But they contend that the fall of communism in Eastern Europe demonstrated the value of increased contacts in the form of, for example, educational exchanges.

So far, they have held off out of concern that Cuban-American groups and congressional Republicans would criticize the increased contacts as moves toward normalizing relations with Havana.

Among the many steps under consideration are allowing American news organizations to open bureaus in Cuba, funneling money and fast-track visas to Cuban human rights activists, and arranging exchanges of American and Cuban clerics, students, academics and artists.

"Eastern European" officials told us that these tools make a real difference in bringing down communism," said a senior policy maker.

Some of President Bill Clinton's foreign policy advisers were pressing to announce the moves early last month when the administration announced it would send boat people seeking refuge here back to Cuba. Many Cuban-American groups, especially the powerful Cuban-American National Foundation, condemned the change as a concession and a step toward normalization.

Senator Bob Graham, the Florida Democrat who is probably the administration's chief adviser on Cuba, has warned against actions that might be construed as steps toward normalization until the anger dies down among Cuban-Americans.

"If a better climate gets created in two to three months — that's about how long we think it will take — then we have a moral obligation to take further steps to help people on the is-

land push for democracy," a senior State Department official said.

Administration officials say the Cuban Democracy Act of 1992 embraced two strategies to weaken Castro: tightening the trade embargo and increasing contacts among people of the two countries. The philosophy was that a greater flow of Western ideas to Cuba would speed Cubans' embrace of democracy.

"There is a strong sense in the administration that we should be more aggressive in advancing the aims of the Cuban Democracy Act," said a top policy maker on Cuba.

Mr. Graham had told the administration that the timing should turn in part on whether Havana fulfills its pledge to avoid reprisals against boat refugees sent back to Cuba. If there are reprisals, the reasoning goes, that will provide ammunition to critics who say the administration was misguided and naive to trust Havana's promises.

Officials acknowledge they are wary that announcing increased contacts might widen the schism with the Cuban-American National Foundation. But they say that many Cuban-Americans, upset that their relatives are trapped on the Communist island, are lobbying for increased contacts as a way of breathing intellectual fresh air into Cuba.

Officials say they have been considering the new policy for months, and Cuba's recent decision to release its two most prominent political prisoners could help the administration make this decision.

Responding to pleas from the United States and France, Mr. Castro freed the two prisoners 10 days ago in what was widely viewed as an effort to earn goodwill with Washington. The two, Rolando Indurro Restano Diaz and Sebastião Arcos Bergnes, had been held more than three years on charges of seeking to subvert the Cuban state.

Officials said there was no link to whether Cuba hands over Robert L. Vesco, the fugitive financier arrested last week.

Judging from its recent remarks, the Cuban-American National Foundation does not trust the administration to increase contacts in a way that turns up the heat on Havana.

TRAVEL UPDATE

SAS Flights Struck as Pay Talks Fail

STOCKHOLM (Reuters) — Scandinavian Airlines System flights were strikebound for the fourth time in 10 days Monday, with the prospect of another stoppage Wednesday if pilots and management fail to break a pay deadlock.

An SAS spokesman said about 800 flights were canceled and about 55,000 passengers were likely to be affected by the strike and the reciprocal management lockout, running from midnight Sunday to midnight Monday. The spokesman said near-normal service should resume after midnight, although disruption of some long-distance flights was possible.

The strike, which has affected all SAS European and intercontinental flights and most domestic and intra-Scandinavian services, followed the breakdown of pay talks Sunday.

Turkey hopes to promote pilgrimages to shrines of major religions in the country, in an effort to bolster tourism revenues. "We have mapped out places in Turkey that are considered holy by Muslims, Christians and Jews," Tourism Minister Irfan Gurpinar said. "We are working on a project to promote pilgrimages to these places to help increase Turkey's tourism revenues." (Reuters)

After a strong gas odor was reported in a central Stockholm subway station, the station was closed early Monday for several hours but no leak was found. Swedish gas company officials said. The Kingsdagsgården station was closed and traffic on the line stopped after passengers noticed the smell, which was later found to be coming from a leaking water pipe in a room housing the water and gas pipes. (APF)

Correction

An article in the June 10-11 issue about Russia and Ukraine signing an agreement to conclude their dispute over the Black Sea Fleet contained a mistaken reference to Ukraine's president, Leonid D. Kuchma. He is an ethnic Ukrainian.

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Troubles Mount as Haiti Prepares for First Vote Under Aristide

By Larry Rohter
New York Times Service

PORT-AU-PRINCE, Haiti — With Haitians scheduled to vote late this month in their first election since democracy was restored here last fall, organizers are struggling to keep the balloting on track and on schedule.

As many as a million voter registration cards have been reported missing, voter registration deadlines have repeatedly had to be postponed, a final official list of candidates has not yet been made public, and scores of disqualified candidates are complaining that they have not been told why they cannot run.

Because of those and other delays and uncertainties, campaigning for the more than 2,200 elective offices has barely begun.

In a country as poor and backward as Haiti, "everything is a challenge," said Anselme Remy, head of the Provi-

sional Electoral Commission, the nine-member body named by the government to organize and administer the vote.

Nearly 4 million voters are already registered for the election, which is scheduled for June 25, followed by runoff elections on July 23. In the balloting, Haiti's first opportunity for a free and fair vote since President Jean-Bertrand Aristide was elected in December 1990, voters are to choose 18 senators and 82 deputies for a new Parliament along with mayors and municipal councils in every district of this country of more than 7 million people.

At the moment, however, Mr. Remy's biggest problem is trying to account for one million voter registration cards he said late last month had mysteriously disappeared from commission offices around the country. The announcement set off a political furor and attacks on the commission's credibility.

Mr. Remy said in an interview that he had merely intended to "sound the alarm" to press local commission offices to step up the pace of voter registration and to "sensitize the public to the possibility of fraud in the system." The cards are not really missing, he maintained, but were only being "hoarded" by local officials.

The commission has also come under fire for enforcing a provision of the electoral law, decreed by Mr. Aristide in February, that establishes a sliding scale of candidate registration fees under which the more candidates a party has, the less it pays. Newer and smaller parties, most of which are opposed to Mr. Aristide and three parties that have been allied with him, argue that the law is devised to drive them into bankruptcy and out of competition.

"They want us to pay the money, but we don't have it," said Paul Duchatellier, who is the center-right National Agricultural and Industrial Par-

ty's liaison to the commission. "They want a million gourdes from us, which is the equivalent of \$75,000 American dollars, and we are not a party that has that kind of money."

Mr. Remy said that he had recommended to Prime Minister Smanick Michel that the fees be reduced by half and that he was hopeful the parties would receive a rebate. But he described the provision as part of an effort to "encourage political modernization" in a country where parties have traditionally revolved around personalities, not ideologies or programs.

"We wanted to put pressure on the parties to get themselves organized, and to give them an incentive to band together in large parties, instead of many small regional groups," Mr. Remy said.

Nearly one in every five candidates has been disqualified from the race, leading to accusations by some politi-

cians that the commission is trying to eliminate possible opponents to Mr. Aristide.

But Micheline Begin, deputy chief of an Organization of American States electoral assistance mission that is observing the election here, said the disqualifications had not been following a partisan pattern.

"There are as many from one ideological tendency as another being rejected, and no one group seems to have benefited," she said.

The constitution and electoral code set up numerous qualifications for office, including ownership of a piece of land, being a member of a recognized profession and presentation of a birth certificate and other documents.

"There are some antiquated requirements for office, and some of them, such as the ownership of property, I am personally against," Mr. Remy said. But he added, "the law is the law, and I must enforce the law."

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Argentina	54-11-438-7771	Denmark	45-333-0113	Cyprus	357-222-2201
Armenia	374-10-1111	Dominican Republic	1-800-368-4603	Czech Republic	0042-222-2201
Australia (Tasmania)	1-800-531-110	Ecuador	593-222-2201	Denmark	45-333-0113
Australia (Mainland)	1-800-881-477	Egypt (Cairo)	20-222-2201	Dominican Republic	1-800-368-4603
Austria	43-1-477-7777	Finland	358-9-1234	Ecuador	593-222-2201
Bahamas	1-800-289-2111	France	33-1-438-7771	Egypt (Cairo)	20-222-2201
Bahamas	800-277-7777	Germany	49-30-1234	Finland	358-9-1234
Barbados	1-800-877-8000	Greece	30-212-2201	France	33-1-438-7771
Belgium	32-20-1234	Guatemala	502-222-2201	Germany	49-30-1234
Bermuda	1-800-433-0277	Honduras	502-222-2201	Greece	30-212-2201
Bolivia	591-222-2201	Hong Kong	852-222-2201	Guatemala	502-222-2201
Botswana	266-222-2201	Hungary	36-1-1234	Honduras	502-222-2201
British Virgin Islands	1-800-577-7777	India	91-11-1234	Hungary	36-1-1234
Bulgaria	359-222-2201	Indonesia	62-21-1234	India	91-11-1234
Canada	1-800-577-7777	Israel	972-3-1234	Indonesia	62-21-1234
Cayman Islands	1-800-368-4603	Italy	39-6-1234	Israel	972-3-1234
Chile	56-2-1234	Japan	81-3-1234	Italy	39-6-1234
Colombia	57-1-1234	Kenya	254-1-1234	Japan	81-3-1234
Costa Rica	506-222-2201	Korea	82-2-1234	Kenya	254-1-1234
Cuba	53-222-2201	Latvia	371-7-1234	Korea	82-2-1234
Cyprus	357-222-2201	Lithuania	370-7-1234	Latvia	371-7-1234
Czech Republic	0042-222-2201	Malaysia	60-3-1234	Lithuania	370-7-1234
Dominican Republic	1-800-368-4603	Mexico	52-5-1234	Malaysia	60-3-1234
Ecuador	593-222-2201	Monaco	377-222-2201	Mexico	52-5-1234
Egypt (Cairo)	20-222-2201	Netherlands	31-20-1234	Monaco	377-222-2201
Finland	358-9-1234	New Zealand	64-9-1234	Netherlands	31-20-1234
France	33-1-438-7771	Nicaragua	505-222-2201	New Zealand	64-9-1234
Germany	49-30-1234	Norway	47-22-1234	Nicaragua	505-222-2201
Greece	30-212-2201	Poland	48-22-1234	Norway	47-22-1234
Guatemala	502-222-2201	Portugal	351-21-1234	Poland	48-22-1234
Honduras	502-222-2201	Romania	40-21-1234	Portugal	351-21-1234
Hong Kong	852-222-2201	Russia	7-495-1234	Romania	40-21-1234
Hungary	36-1-1234	Saudi Arabia	966-2-1234	Russia	7-495-1234
India	91-11-1234	South Africa	27-11-1234	Saudi Arabia	966-2-1234
Indonesia	62-21-1234	Spain	34-91-1234	South Africa	27-11-1234
Israel	972-3-1234	Sweden	46-8-1234	Spain	34-91-1234
Italy	39-6-1234	Switzerland	41-1-1234	Sweden	46-8-1234
Japan	81-3-1234	Taiwan	886-2-1234	Switzerland	41-1-1234
Kenya	254-1-1234	Thailand	66-2-1234	Taiwan	886-2-1234
Korea	82-2-1234	Turkey	90-312-1234	Thailand	66-2-1234
Latvia	371-7-1234	U.S. Virgin Islands	1-800-368-4603	Turkey	90-312-1234
Lithuania	370-7-1234	Ukraine	380-44-1234	U.S. Virgin Islands	1-800-368-4603
Malaysia	60-3-1234	United Arab Emirates	971-2-1234	Ukraine	380-44-1234
Mexico	52-5-1234	United Kingdom (UK)	44-1-1234	United Arab Emirates	971-2-1234
Moldova	373-222-2201	United States (Maine)	1-207-1234	United Kingdom (UK)	44-1-1234
Monaco	377-222-2201	United States (New York)	1-212-1234	United States (Maine)	1-207-1234
Netherlands	31-20-1234	United States (Texas)	1-817-1234	United States (New York)	1-212-1234
New Zealand	64-9-1234	Uruguay	598-222-2201	United States (Texas)	1-817-1234
Nicaragua	505-222-2201	Venezuela	58-222-2201	Uruguay	598-222-2201
Norway	47-22-1234			Venezuela	58-222-2201
Poland	48-22-1234				
Portugal	351-21-1234				
Romania	40-21-1234				
Russia	7-495-1234				
Saudi Arabia	966-2-1234				
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EUROPE

Socialists
In France
Act to Foil
Far Right

Compiled by Our Staff From Dispatches

PARIS — France's opposition Socialist Party ordered its candidates Monday to withdraw from the second round of municipal elections in some towns to prevent victory by the far-right National Front.

The anti-immigrant National Front, led by Jean-Marie Le Pen, shocked mainstream parties by seizing the lead in several towns in the first round Sunday, especially along the Mediterranean coast. The front currently has no members as mayors and has no seats in Parliament.

The National Front, which opposes European integration and advocates mass deportation of immigrants, did well enough in the first-round voting to qualify candidates for the second round in 116 of the 231 cities with more than 30,000 residents.

Its breakthrough stole the show from President Jacques Chirac, a conservative who failed to translate his election victory five weeks ago into big local gains.

The Socialists, who retained some of their traditional bastions Sunday, ordered candidates to pull out of races where they had no chance of winning. The candidates were told to rally behind centrists or conservatives to thwart the National Front in the second round next Sunday. The second round will be held in towns where no candidate won an outright majority.

A party spokesman, Jean Glavany, said the Socialists wanted other parties to pull out their candidates who had no chance of winning, as a way to bolster the vote against the National Front.

But Mr. Chirac's Gaullist party, the Rally for the Republic, said it would not make the same gesture in races where leftist candidates were favored to win.

"Everyone should fight under their own colors," said the party secretary-general, Jean-François Mancel. He said far-right voters should recognize that only the governing center-right coalition "is capable of resolving the problems that led them to vote for the National Front."

The first-round results were sobering for Mr. Chirac's allies, who had hoped his presidential victory would trigger conservative gains in city halls nationwide.

Mr. Le Pen, 66, hailed his party's gains as a "stunning triumph" that would force wider acceptance of a party often denounced as fascist or racist.

Prime Minister Alain Juppé, elected mayor of Bordeaux with 50.3 percent, rejected a proposal by Mr. Le Pen to join forces selectively to help rightists in the second round Sunday.

In the industrial town of Vitrolles north of Marseille, Mr. Le Pen's No. 2, Bruno Mégret, polled a record 43 percent, virtually assuring the National Front of victory on Sunday.

(Reuters, AP)

A Blunt Chirac
Stuns Some at
Paris EU Event

Reuters

PARIS — European Union leaders knew President Jacques Chirac's reputation for blunt speaking before he came to dinner with them last Friday night. But some of them must have been shocked on hearing some of his remarks, as reported by Le Monde on Monday.

The newspaper said Mr. Chirac interrupted Prime Minister Andreas Papandreu of Greece when he pleaded for understanding for Serbs fighting to defend their religion in the Balkans.

"Don't talk to me about wars of religion," Mr. Chirac was reported to have interjected. "These people have no faith and know no law. They are terrorists."

The paper said Mr. Chirac went on to describe the disgust he felt in telephone calls with the Serbian president, Slobodan Milosevic.

During a discussion of organized crime, Le Monde said Mr. Chirac bluntly told the Dutch Socialist prime minister, Wim Kok: "Either you fight firmly against drug trafficking or I will close the borders."

Prime Minister John Major of Britain called Mr. Chirac's frank talk about real issues "a breath of fresh air."



Jacques Chaban-Delmas, left, the outgoing mayor of Bordeaux, who is leaving city hall after 47 years of running the city, greeting his successor, Prime Minister Alain Juppé.

A Berlusconi Victory at Polls
Vote on TV Stations Clears Way for ComebackBy Celestine Bohlen
New York Times Service

ROME — Silvio Berlusconi's name did not appear on any ballots when 27 million Italians voted on a full menu of 12 referendum questions. But by winning a decisive victory on the three questions Sunday that threatened his television empire, the 58-year-old tycoon and former prime minister proved not only that he continues to dominate Italy's political debate, but also that he is managing to survive it.

A jubilant Mr. Berlusconi said Monday that the referendum results had pointed the country

NEWS ANALYSIS

toward early national elections next fall, when he hopes to put together another winning center-right coalition as he did in March 1994. And with the referendum behind him, he said he was finally ready to sell off a majority share in his television holdings, thus siphoning off one of the chief criticisms against him.

Since his fall from power last December, Mr. Berlusconi has been fending off attacks from all sides, including from within his own coalition, where some allies sense that his impulsive, hyperbolic style may have become a political liability. Local elections held last April showed gains for center-left parties, and held out hopes for a new coalition headed by the mild-mannered economist and former state manager, Romano Prodi.

Pressure is also building to let the "technocrat" government of Lamberto Dini, who was appointed as interim prime minister last January, stay in office through next year, given its success so far at keeping the bid on Italy's budget deficit.

"Technical governments are those that work

best," said Giovanni Agnelli, head of Fiat, the Italian automaker, in an interview published Monday. "Thus, the longer they last the better it is."

In the meantime, Mr. Berlusconi has also been beset by legal troubles. As the former president of Fininvest, a \$7 billion company that he created and still owns, he faces charges that his executives paid bribes to tax inspectors, while the head of Publitalia, Fininvest's exclusive advertising agency, was recently arrested on charges of using sports sponsorships as a cover for slush funds.

Still, most experts predicted that Mr. Berlusconi would be successful at beating back a campaign to force him to sell two of his three television stations, and to undercut Publitalia's exclusive control over advertising on the Fininvest networks. And he was, winning a strong "no" vote on both those questions, as well as on a trickier question that would have limited the number of commercial breaks during films.

What the results mean for Italy's television system is still not clear, since the Constitutional Court issued a ruling six months ago that would require both Fininvest and RAI, Italy's state-owned television, to reduce their shares in a market that together, with three stations each, they now control almost exclusively.

New laws, now in Parliament, would also open up the airwaves to new independent cable and satellite networks, which, until now, have been practically nonexistent in Italy.

Since he went into politics, Mr. Berlusconi has been under pressure to divest himself of his television holdings. But he and his top executives have argued that with the referendum pending, he was in no position to sell, nor were potential buyers — who include Rupert Murdoch, Time Warner Inc., the German media baron Leo Kirch, and the Saudi investor Prince Walid bin Talal — interested in making a serious bid.

Union Agrees to Focus on Eastern Europe

By Tom Buerkle
International Herald Tribune

LUXEMBOURG — European Union foreign ministers agreed Monday to make Eastern Europe their top foreign aid priority for the next five years, dealing a blow to southern member states who pushed for a major aid increase to their unstable neighbors in North Africa and the Middle East.

The compromise was a mixed achievement for France, which presented the proposal as holder of the Union's rotating presidency. The deal averts the prospect that the Union's summit meeting in Cannes in two weeks' time, which President Jacques Chirac wants to focus on his winning campaign theme of employment, will be disrupted by a rift between northern and southern member states over foreign-policy priorities. But France won less EU aid for the Mediterranean than it had sought. It also failed to obtain an increase in aid to poor countries in Africa, the Caribbean and the Pacific, which include many former French colonies.

The deciding factor in Monday's debate was basic, Foreign Minister Douglas Hurd of Britain said.

The countries of Eastern Europe, he said, "are mostly countries which will one day join the European Union." The Mediterranean states, although a vital security concern, "are not European countries."

Under the aid agreement, the Union will devote 1.24 billion European currency units (\$1.64 billion) to the Eastern European countries in 1996 and 700 million Ecus for countries along the Mediterranean rim, from Turkey to Morocco.

Although there was no formal commitment for 1997 to 1999, the Union's foreign affairs commissioner, Hans van den Broek, said it was informally agreed that those figures would be maintained or increased.

Although the aid to the Mediterranean represents a jump of nearly 30 percent next year, the agreement guarantees the region a minimum of just 3.5 billion Ecus in aid over the next five years, well below the 5.2 billion Ecus that the European Commission had proposed.

The result is a disappointment for Spain, which had lobbied for a big aid package to help stabilize its southern neighbors and make a success of a conference Spain will host for EU and Mediterranean countries in Barcelona in November.

Mr. Hurd spoke for most northern countries when he said the Union needed to avoid five-year aid commitments to give itself the flexibility to respond to major geopolitical shifts.

Although the ministers made no headway on the related issue of aid to the African, Caribbean and Pacific countries, French officials expressed some optimism about an accord. They noted that Prime Minister John Major, who wants to slash Britain's contribution by a third, predicted an agreement before Cannes after meeting Mr. Chirac in Paris over the weekend.

The ministers' difficulty in achieving a consensus on foreign policy priorities comes at a time of growing discord among member states.

At a meeting of EU leaders in Paris on Friday, Mr. Chirac clashed sharply with Prime Minister Wim Kok of the Netherlands over the role of Europe in fighting international crime.

In Luxembourg, Mr. Hurd, buoyed by the cordial meeting between Mr. Chirac and Mr. Major over the weekend, reiterated Britain's fervent opposition to any attempt to weaken national veto power over EU foreign-policy decisions.

BRIEFLY EUROPE

3 Baltic Nations Sign Pacts With EU

LUXEMBOURG — Three former Soviet republics — Estonia, Lithuania and Latvia — signed accords with the European Union on Monday that may eventually bring them fully into the Union. The Baltic countries have come back into Europe, Prime Minister Maris Gailis of Latvia said at a ceremony with EU foreign ministers. By signing so-called Europe agreements, the three Baltic countries join a long list of former Communist countries lining up for EU membership.

The accords offer trade and cooperation deals and hold out the prospect of EU membership at a later date. Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania already have such accords and have begun to make their laws and markets converge with those of the EU.

(Reuters)

A Shaky Free Democratic Platform

BONN — Chancellor Helmut Kohl's allies responded coolly on Monday to plans by his struggling junior coalition partner, the Free Democrats, to launch a new drive for more liberal laws in Germany.

The Bavarian sister party of Mr. Kohl's Christian Democratic Union, the Christian Social Union, threatened to veto in the cabinet any Free Democratic effort to loosen citizenship laws, allow immigration or put live-in and homosexual relationships on a legal par with marriage.

It was a bad start for Wolfgang Gerhardt, elected party chairman at a congress on Saturday by delegates who hoped that a renewed emphasis on civil liberties could pull the party out of a series of election defeats.

(Reuters)

Assessing the Blame for U.K. Riots

BRADFORD, England — Police and Asian community leaders blamed each other on Monday for weekend riots that caused \$1.6 million in damage.

Thirty police officers were injured and 21 people arrested when about 500 young Asians went on the rampage over two nights in

this northern English city, hurling gasoline bombs and bricks at police, burning cars and looting shops.

The police believe the rioters feel trapped in a generation gap with their elders, who in turn blame heavy-handed policing and warn that the disturbances could spread. "You have this enormous powder keg of frustration, which they vent on the police, but also on their own community," Chief Constable Keith Hellawell told BBC radio.

(Reuters)

Austrians Are Unhappy With EU

VIENNA — Austria on Monday marked the first anniversary of its vote to join the European Union with the government on the defensive and opinion polls showing widespread frustration with the Union.

Newspaper editorials, opposition parties, farmers, as well as the textile and tourism industries, joined in a growing chorus of discontent about the Union.

Austrians voted by an overwhelming two-thirds majority a year ago to join the EU, but opinion polls currently show that less than 40 percent would vote to join now.

Calendar

European Union events scheduled for Tuesday:

STRASBOURG: Session of European Parliament and meeting of European Commission.

LUXEMBOURG: The commissioner for Relations with other European Union Institutions, Marcelino Oreja, takes part in a session of the group preparing for the 1996 intergovernmental conference on reforming European institutions.

BRUSSELS: The European monetary committee completes its second day of meetings on monetary union.

STRASBOURG: The president of the European Monetary Institute, Alexandre Lamfalussy, presents his annual report to Parliament.

Sources: Agence Europe, AFP.

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INTERNATIONAL

BOSNIA: Fears for the Hostages

Continued from Page 1

changed." Western officials said it appeared that Mr. Karadzic and his military commander, General Ratko Mladic, had concerns over what role the new rapid reaction force set to deploy in central Bosnia would play within the UN mission here.

Initially portrayed by the French Defense Ministry as a force capable of blasting land corridors through to surround mainly Muslim towns like Sarajevo and Gorazde, it is now being described as "a reservoir" on hand for isolated emergencies but unlikely to be used en masse. The most extreme such emergency would be a withdrawal of the 22,000 UN troops from Bosnia.

Moreover, after protracted discussions about a new UN mandate and repeated statements that the status quo is unacceptable, the revamped mandate may not look very different from the old one, officials here said. Indeed, the "status quo ante" is the now the

curious official aim of the United Nations mission in Bosnia. The main change in the new mandate would be the addition of the rapid reaction force, which will be under UN command but may end up doing very little.

However, the difficulties of even maintaining the UN mission as it operated before have been thrown into sharp relief in recent days.

An essential part of that mission is to protect aid convoys and ensure they reach their destination. But unable to move through Bosnian Serb territory — 70 percent of Bosnia after three years of war — the peacekeepers have been reduced to virtual paralysis.

Karen AbuZayd, head of the Sarajevo office of the UN High Commissioner for Refugees, said Monday that 72 tons of flour dispatched Wednesday from Belgrade to the eastern Muslim enclave of Zepa never arrived. Instead, after a five-day odyssey, it had to be handed over to the Serbs.

West Pulling Back in 'Test of Wills' With Bosnian Serbs

By Michael Dobbs
New York Times Service

WASHINGTON — Determined to avoid a crisis in the North Atlantic alliance and the "Americanization" of the bloodiest conflict in Europe since World War II, the Clinton administration has backed away from attempts to persuade the Bosnian Serbs to violate numerous Security Council resolutions in the former Yugoslavia.

After NATO warplanes bombed a Serbian ammunition dump three weeks ago at the request of UN commanders in Sarajevo, administration officials predicted a prolonged "test of wills" between the international community and the Bosnian Serbs.

Judging by the events of the last week, and in particular a UN decision Saturday to sharply scale back the protection of UN-designated "safe areas," the first phase of this trial of strength has ended with a victory for the Serbs, who responded to the air strikes by taking hundreds of UN peacekeepers hostage.

Fearing a new confrontation with the Serbs, Western governments have

abandoned many of the ideas they themselves put forward for providing more muscle to the 22,000-strong UN Protection Force in Bosnia.

Plans to push a protected supply route through to Sarajevo have been shelved; humanitarian convoys still are not getting through to Muslim enclaves in eastern Bosnia, and the heavy weapons exclusion zone around Sarajevo has effectively ceased to exist.

American officials concede that the air strike option has been "frozen" as long as the Serbs continue to hold UN personnel.

U.S. officials have not, however, ruled out retaliation for the downing of the F-16.

In public, American officials still talk about helping the protection force retrieve its squandered credibility. In private, however, they say American leverage is limited, given Washington's long-standing refusal to contribute ground troops and the fear of getting dragged into the conflict.

"The war in Bosnia has caused the

gravest strains in NATO since Suez," said a senior administration official, referring to the British and French seizure of the Suez Canal in 1956 against the wishes of Washington.

"But there will be no crisis in NATO, because we have taken the decision that NATO comes first."

Although U.S. officials insist it is "premature" to say the West has thrown in the towel in Bosnia, they acknowledge that the UN Protection Force is "not going to go to war" even if the Serbs choose to further escalate their pressure.

The Clinton administration is desperate to avoid a withdrawal of UN forces, because it would almost certainly involve the dispatch of up to 25,000 American troops to Bosnia.

President Bill Clinton has pledged the United States would provide about half the troops needed for a pullout.

If that should happen by the end of the year, it could lead to a high risk of American casualties in the politically sensitive period leading up to the New Hampshire presidential primary next February. Although enormous effort has gone into planning the extraction operation, which would cost an esti-

mated \$1.8 billion, it could easily turn into a disorderly and politically embarrassing retreat.

In the absence of a clearly defined exit strategy from Bosnia, the administration is trying to prevent the war from spreading to neighboring Macedonia, a development that could ignite a general Balkan war, involving Greece and Turkey, NATO allies of the United States.

Administration officials are frustrated by the blizzard of criticism from Capitol Hill and the media, much of which they regard as uninformed and irresponsible.

"People want a clean resolution of the problem, but there are no good options available," one senior official said.

"It is fine for people on the Hill to say withdraw Unprofor and arm the Muslims," the official said. "But with Unprofor gone, the enclaves would be undefended. Sarajevo might also fall. If Unprofor pulls out, the pressure will come on the U.S. to protect the Muslims."

The problem with the administration's approach, according to critics, is that it does little to prevent the gradual

unraveling of the UN force, which is already under way, and amounts to further appeasement of the Serbs. "It is a terrible dilemma," said a NATO diplomat. "Unprofor is doing less and less. It is a huge expense — \$1.6 billion a year — more than half the total UN peacekeeping budget. If the total UN peacekeeping budget is cut, the peacekeepers can't carry out their mandate, their presence makes no sense. On the other hand, withdrawal is so unpalatable that people do not want to accept it."

The emerging Western strategy in Bosnia is to keep Unprofor in place for another three or four months, and use the intervening period to negotiate a peace settlement with the Serbian president, Slobodan Milosevic. Washington is willing to offer Mr. Milosevic a significant easing of UN economic sanctions in return for a recognition of Bosnia and abandonment of his dream of a "Greater Serbia."

According to U.S. officials, the deal is close to completion. Mr. Milosevic, however, is holding out for more concessions in the belief that his hand has been strengthened by his success in persuading the Bosnian Serbs to release most of their UN hostages.

JAPAN: In a Most Apologetic Country, Sorry Isn't Uttered About the War

Continued from Page 1

apologize for the war is that it does not fit the pattern of day-to-day apologies. Those apologies are not so much about remorse as about avoiding confrontation and blame, said Dr. Masao Miyamoto, a psychiatrist and social critic.

"In Japan, confrontation is a taboo, and desire to avoid confrontation is the most important element in society," Dr. Miyamoto said.

Instinctive apologies do seem to reduce confrontation, in contrast to the United States, where a fender-bender often ends up with each driver blaming the other, in Japan, both drivers get out and bow their apologies, although the one at fault should bow more deeply.

Apologies as a means to avoid clashes, though, apply to social relations, not to diplomatic

cy. And once there is already a diplomatic confrontation, one that an apology cannot avert, then in any case there is no need to grovel — witness Japan's firmness in the present trade dispute with Washington.

"There is a huge gap between daily life and the political structure," said Masaharu Hishida, a professor of international affairs at the University of Shizuoka.

It is customary in Japan to apologize not only for oneself but also for colleagues or family members. An elderly man, complimented on the fine dinner he is serving to guests, might shake his head and respond: "My fool of a wife made this inedible food. It'll make your mouth dirty."

But passage of the war resolution means not apologizing for one's present relatives but

for those occupying a special place in the Japanese pantheon: parents and emperor.

"This relates to the mentality of ancestor worship," said Sumiko Oda, a professor of psychiatry at Tsukuba University. "Some Japanese feel that it would be sinful to apologize for World War II, because they would be blaming their ancestors."

Filial piety is a special virtue in East Asia, and traditionally Japan and China were steeped in such tales as the one about the man who slept naked so that mosquitoes would bite him instead of bothering his parents in the next room.

Today's Japanese may be more likely simply to install screens in their parents' windows, but they are still filial enough to feel uncomfortable about condemning the cause for which parents or grandparents fought and perhaps died.

Likewise, the war was fought in the name of Emperor Hirohito, who was regarded as a divinity until the end of the war. Some elderly people regard an apology for the war as an act of lese-majesty.

A final explanation for the reluctance to apologize for the

war has to do with what scholars say is one of the sharpest distinctions in Japan, the one drawn between the in-group and the out-group. There is no out-group more distant from the traditional Japanese heart than Chinese or Koreans.

Psychiatrists say that may help explain the reluctance to apologize to Chinese and Koreans, as well as the cruelties inflicted on them in the first place.

Moreover, polite expressions and apologies are normally directed at people of equal or greater status, not at someone lower on the social totem pole. So some scholars say the reluctance to apologize has to do with a conventional view that Chinese and Koreans are of lower status, making it demeaning for Japanese to apologize to them.

"They feel that Asian people are second-class citizens," said Kim Myong Chol, an ethnic Korean who was born in Japan and now works as a translator and writer.

"If they decide someone is higher, they are ready to apologize, to kneel down. But for Asian people they don't feel any need to apologize."

AUTOS:

Europe Gaining

Continued from Page 1

Britann, the European Union's trade commissioner, are playing a game of finesse, trade experts here say.

Europe sees the new World Trade Organization as its strongest means to influence world trade policy, primarily because the managing director, Renato Ruggiero, was the European Union's hand-picked choice.

European trade officials have experienced some friction with Mickey Kantor, the U.S. trade representative, and there is some concern that cordial relations between Mr. Kantor and Sir Leon could turn sour, just when the two sides are beginning to talk about the possibility of a trans-Atlantic free trade agreement.

Yet a greater fear is that any Japanese-American trade agreement would come at the expense of European automakers, so Sir Leon was in Tokyo last week negotiating an agreement with the Japanese.

The agreement particularly makes it easier for European automakers to get Japanese certification for sale of their cars. Previously, automakers had to ship models of cars they wanted to sell to Japan for extensive and expensive testing. Now, Japanese officials will come to Europe to test the models.

Automakers like BMW, Daimler-Benz, Volkswagen and Volvo have invested far more in their own Japanese dealership network than the Detroit Big Three. As a result, Europe's market share in Japan is more than twice that of the United States, if Japanese-manufactured cars sold by American companies are included, and five times the U.S. level if only cars manufactured in the United States are included.

Sales of European cars in Japan are booming up 31 percent in the first five months of this year, to 84,904 vehicles, compared with the same period in 1994.

"Europeans who have made the effort to get in there are being successful," said Mr. Rosenstein, the spokesman for the European automakers group.

Ex-Pinochet Aide
Reportedly Tries
To Avoid Arrest

Compiled by Our Staff From Dispatches

SANTIAGO — A former secret police chief facing prison for ordering an assassination in Washington reportedly went to an army base during the weekend to avoid arrest, but he left after several hours.

Retired General Manuel Contreras entered the Sangra regiment base, 1,160 kilometers (715 miles) south of Santiago, "with the authorization of the corresponding military authority," the Chilean Defense Ministry said in a statement.

It did not elaborate, and the government refused further comment. General Contreras's son, also named Manuel, said his father went to the base when the police entered his farm and shots were fired. The police denied the report.

"All reports of movements of security personnel and presumed confrontations yesterday night on Contreras's farm are absolutely false," said a government spokesman, José Joaquín Bruzzone.

General Contreras, who was chief of the DINA secret police under the former military ruler, General Augusto Pinochet, was convicted in the 1976 car-bomb assassination in Washington, D.C., of Orlando Letelier, a prominent Pinochet foe.

The Supreme Court ordered on May 30 that General Contreras serve a seven-year prison term. He has said repeatedly that he will not surrender.

(AP, Reuters)



Tada Katsu Sano, Japan's trade minister, arriving Monday in Geneva for talks on car trade.

REACTOR: Chernobyl Still Poses 'Serious Dangers'

Continued from Page 1

cost billions of dollars and take perhaps 100 years to complete.

Emerging plans call for construction of a double-hulled shell perhaps 25 stories high to encapsulate the reactor, its tomb and adjacent buildings. Inside, a work force of robots would break through the tomb and, in an atmosphere poisonous with radiation, spend decades removing a virtual mountain of waste. No one yet knows how or where it would be stored.

"Toxicity and radioactivity will remain for hundreds of thousands of years," said a summary of a preliminary study on the cleanup. The containment of such debris for such periods is well beyond current knowledge and experience. The study was funded by the European Union and released in March.

As governments, engineering firms and construction companies begin to spend serious money on the embryonic project, the main questions remain unanswered: How dangerous is Chernobyl to the world at large? How much will it cost to eliminate the dangers?

The EU summary report said the tomb could collapse in a severe earthquake or "any other major natural events."

It also said that the building adjacent to the destroyed reactor, a tall structure topped with a chimney and called "Block B," could collapse in an earthquake measuring 6 or 7 on the Richter scale. That would likely cut off cooling systems to Reactor No. 3, which flanks Block B to the east, risking a meltdown in its core and a catastrophe similar to that of 1986.

Northern Ukraine suffers few earthquakes, and such a severe one is seen as highly unlikely. The report does not specify what other "major natural events" might cause the tomb to collapse.

The European Union has kept the main study secret and barred its authors, a French-led consortium called Alliance, from speaking about it.

The EU's secrecy "is a great mistake," said Georgi Kopchinsky, a former safety official at Chernobyl who now heads a nuclear safety consulting firm in Kiev. "There are serious dangers at Chernobyl — first the sarcophagus and then the operating reactors," he said.

According to Mr. Kopchinsky and other specialists, most of the risks at Chernobyl threaten Ukraine itself and neighboring Belarus, and not the continent-sized area that was irradiated in 1986 when a nuclear fire burned for 10 days and spread a radioactive plume over Europe.

"If the tomb collapses, the cloud of dust would be more momentary and passive, and would fall more quickly around the plant," said Patrick Michaille, director of the Kiev office of Riskaudit, a French-German nuclear safety consulting firm.

The largest long-term problem is "the movement of contamination by underground water," according to a report released in April by the French government's Institute for Protection and Nuclear Safety.

While large sums are being spent by the European Union and others to assess the tomb's condition, "no equivalent has been undertaken concerning the risks of underground contamination," the French institute said.

FUEL: U.S. Uranium Deal With Russia Is Unraveling

Continued from Page 1

nounced by the Bush administration in August 1992 and was carried forward by the Clinton administration, which negotiated a detailed contract in 1993.

The deal, a high point of nuclear disarmament at the end of the Cold War, represents a substantial part of the Russian nuclear arsenal, but far from all of it. Russia is estimated to have 1,200 metric tons of bomb-grade uranium, as well as 170 metric tons of plutonium, the other critical ingredient for making warheads. Even so, 500 metric tons is enough to build more than 30,000 bombs as powerful as the one dropped on Hiroshima — and enough to run the 109 operating nuclear power plants in the United States for about a decade.

After many delays, a small initial shipment of less than a ton of the Russian uranium is expected to arrive in the United States this month. This is part of an initial order of six tons, but private experts say the prospects for significant deliveries beyond that are dim.

The accord is lost in a "quagmire of incompetent implementation" and is "in danger of coming completely undone," Richard A. Falkenrath, a fellow at the Center for Science and International Affairs at Harvard University, concluded.

The administration has yet to develop a position on what steps to take and appears leery of speaking out. Senior officials were contacted at the State, Energy and Defense Departments, but only deputies would talk and then only on the condition of anonymity, saying some analysts were overstating the problems and that remedies in any event were sure to be found.

But they added that no consensus exists on what steps to take while insisting that a solution is reachable if only because the stakes for national security are so high.

"Hard things can be made to work," said a State Department official who is laboring on the issue. "This is worthwhile. It's worth putting a lot of effort into."

An official at the Energy Department said: "The situation is not simple. This is the only real money in the U.S.-Russian relationship. It's high stakes because of the big money and it's complex because of all the different constituencies involved. But I don't think things are as bad as people say. Like anything else, the devil is in the details, and we're working on those."

Some analysts say one trouble is that the deal tries to mix private gain and public policy. A federally owned corporation, the Enrichment Corp. of Be-

thesda, Maryland, which was chosen to carry out the deal, is deadlocked with the Russian Ministry of Atomic Energy over pricing, with no signs of compromise.

"Serious difficulties have arisen in the way of meeting the original expectations of both parties," Victor N. Mikhailov, head of Russia's Ministry of Atomic Energy, said last week in a letter to Lynn E. Davis, under secretary of state for international security affairs.

More broadly, many analysts say the deal was problematic from the start because it was so novel, involving substantial transfers of nuclear material rather than its disposition by individual states, as in more usual forms of arms control.

Iran Reported Ready
To Drop Rubble Issue

The Associated Press

BONN — Iran, seeking to avoid isolation after a U.S. trade embargo imposed in April, is ready to end its conflict with Europe over the writer Salman Rushdie, Iran's ambassador in Bonn said Monday.

Hossein Mousavian said urged members of the G-7 group to resist anticipated appeals for an embargo.

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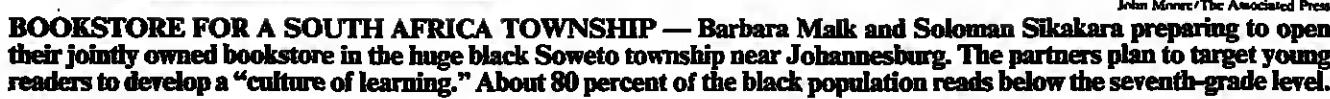
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Herald Tribune
THE WORLD'S DAILY NEWSPAPER

Some merchants sat inside their locked shops, peering into the sky at the occasional helicopter swooping over the city or watching soldiers and policemen operate roadblocks at major intersections.

Last year, dozens of people were killed in protests, mostly in Chief Abiola's southwest home region. (AP, Reuters)



"Federal racial classifications, like those of a state, must serve a compelling governmental interest and must be narrowly tailored to further that interest," Justice Sandra Day

no instructional personnel,
such as janitors.

Position

Mooroogiah Naidoo, 75, a South African anti-apartheid activist who spent 14 years in exile, died of emphysema June 1 in Durban, South Africa.

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Herald Tribune

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A Nation's Vague Regret

It is a very Japanese blur. The three parties of Japan's ruling coalition at last agreed that Japan feels *hansei*, a quiet remorse, for what it did in World War II. The remorse, they say, is *fukai*, deep, but they insist on putting it in the context of "various... acts of aggression in modern world history." To cries of anger from the opposition, the lower house of Japan's Parliament on Friday approved this vague expression of regret, and opinion polls suggest that most Japanese do not object. Yet this is not the straightforward apology that most of the rest of the world — above all the war's Asian victims — have long been hoping for.

Why is Japan so much more reluctant than Germany to admit that it was wrong half a century ago? Because, say some, the victims of the Second World War never cleansed Japan after 1945 as thoroughly as they cleansed Germany. The Japanese were not made to realize what they had done. This is, at best, only part of the explanation.

It is true that Japan's emperor kept his throne, if not his divinity, that the Japanese, unlike the Germans, did not rewrite their national anthem; that the swastika was expunged but the Rising Sun still rose. In the essentials, though, Japan was treated as firmly as Germany after 1945. The worst war criminals were brought to justice. The constitution was rewritten. The old political order was demolished and a multiparty democracy installed. Greater leniency by the victors does not truly explain why Japan is so stubbornly slow to say sorry.

The real explanation lies in Japan itself. This country is not, or not yet, quite the same sort of place as Germany or the

other modern democracies of Europe and North America. It is still, for understandable reasons, a nation-state of an older type. The vivid sense of national identity to which the Japanese cling — their uniqueness, some of them would still call it — was sharpened by two extraordinary centuries of near isolation from the rest of the world.

When the isolation ended and the Japanese began to "Westernize" themselves, 150 years ago, the new state they constructed needed that strong old sense of nationhood as its foundation stone.

Unlike America, Japan did not open its doors to a flood of newcomers from abroad. Unlike Europe, its picture of the nation-state was not shattered by the horrors of World War I. Even the shock of nuclear defeat in 1945 was not quite enough. In the countries around the North Atlantic, the old nationalisms have since 1945 slanted themselves together in organizations like NATO and the European Union and the new North American free-trade area. Across the Pacific, no such network of togetherness has yet been devised.

It probably will be, one day. The Japanese are changing. Their own society, the patterns of life within Japan, already reveal a new individualism that challenges the *de haut en bas* rigidities of the old Japan. The government's expression of regret about the war, woolly though it is, shows that Japan's relationship with the outside world is changing, too. This is a hesitant step along the road that Germany took a generation ago. But until Japan has completed that road, it will not be fully ready for the 21st century.

— INTERNATIONAL HERALD TRIBUNE

Critical Nuclear Decisions

Last month, the Clinton administration used every diplomatic weapon at its command to secure permanent extension of the treaty limiting the spread of nuclear weapons. The treaty not only commits nonnuclear countries to refrain from developing weapons. It also commits countries that have the bomb to move toward a comprehensive test ban and eventual nuclear disarmament. At the time, some nonnuclear states worried that the five declared nuclear powers — the United States, Britain, France, Russia and China — would not keep their end of the bargain. Decisions now pending in Washington and Paris will demonstrate whether those worries were justified.

To gain extension of the nonproliferation treaty, the five declared powers pledged to finish negotiations on a test ban treaty by next year. The Clinton administration defined a comprehensive test ban as permitting only extremely low-yield underground tests. But Pentagon officials are pressing the White House to revise its negotiating position to permit more powerful explosions. They argue that higher-yield tests produce information that is needed to assure the safety and reliability of America's nuclear weapons. Experts at the Energy Department, which has primary responsibility for nuclear testing and manages the nuclear weapons labs, do not agree.

Higher thresholds would be easier for nuclear powers like France to accept. But nonnuclear countries taking part in the negotiations would rightly see them as undermining the comprehensive test ban principle and might well refuse to go along. Advocates of the higher threshold hope to persuade Bill Clinton before he meets France's new president, Jacques Chirac, in Halifax this week. Mr. Clinton should reject their recommendations.

Meanwhile, Mr. Chirac faces a critical nuclear decision of his own. Last week his defense advisers recommended that France resume underwater nuclear tests in the South Pacific, which have been suspended since 1992. Mr. Chirac has been noncommittal on the testing issue. The United States, Britain and Russia, though not China, have voluntarily suspended their testing programs as they negotiate toward a comprehensive test ban.

For France to resume testing now would be a sign of contempt toward the nonnuclear countries and would further set back the test ban talks. Washington and Paris ought to reread the commitments their representatives made only a month ago when more than 170 countries approved extension of the nonproliferation agreement. To turn around now and seek more and bigger nuclear weapons tests would be a betrayal of the treaty.

— THE NEW YORK TIMES

A Good Sign for Hong Kong

While Hong Kong is not quite a democracy, as a British colony it lives under a legal system as reliable as any in the world. When the colony is transferred back to China's jurisdiction two years from now, one crucial question will be the future of the law. Optimists hope that the new rulers will permit the present structure to go on operating, continuing the enormous economic benefits that a predictable and enforceable code brings. Pessimists assume that, under Beijing, Hong Kong law will soon resemble law elsewhere in China, always open to manipulation for political reasons or for serving special interests.

An agreement last week between the British and Chinese governments gives some welcome encouragement to the optimists. At present, appeals from Hong Kong's courts go to the Privy Council in London. Attempts to set up a Court of Final Appeal in Hong Kong have been blocked by a long and complicated argument between the two governments. That has now been resolved. The pessimists had feared that Beijing would try to limit the new court's jurisdiction solely to commercial issues. But under this deal it appears to extend to political and human

rights cases, as the Privy Council's does. To get that assurance, the British had to concede an important point on timing. Although Hong Kong's Legislative Council is to approve the bill this summer establishing the court, it will not go into effect until July 1, 1997, when British rule ends and Beijing takes charge. That is, the new court will begin to operate only at the moment of transition, with no experience or record under the British.

A lot of questions loom over Hong Kong as it approaches this portentous transition, but Beijing's attitude toward the courts and the law is probably the key one. That is where the world will find out most surely whether the Communists are prepared to tolerate dual regime, with one system on the mainland and another in the former colony. A dual regime would constitute a threat to those people in China who like their present style of malleable law, which allows them to punish political dissenters, intimidate critics, take care of their friends and enrich their families without fear of lawsuits. The agreement on the appellate court is an encouraging sign for Hong Kong, though only that. Little has really been settled so far.

— THE WASHINGTON POST

What Price Will Americans Pay for a Better World?

By Arthur Schlesinger Jr.

NEW YORK — The United States will never — unless Patrick Buchanan, the Republican presidential candidate, has his way — return to the isolationism of no "entangling alliances."

It will continue to accept international political, economic and military commitments unprecedented in its history.

It will even enlarge some, as in the curious mania to expand NATO, which would commit U.S. forces to the defense of Eastern Europe from, presumably, the menace of a Russian Army that cannot even beat Chechnya.

But such enlargement hinges on the assumption that other nations will do as America tells them. The isolationist impulse has risen from the grave, and it has taken the new form of unilateralism.

The Clinton administration began by basing its foreign policy on the premise that the United States could not solve the world's troubles all by itself. "Many of our most important objectives," Secretary of State Warren Christopher said, "cannot be achieved without the cooperation of others."

The key to the future, in the Clinton view, was collective action through the building of international institutions and through multilateral diplomacy.

But the incentives for international collaboration have faded. The Republicans' capture of Congress gave unilateralism new force and momentum.

In a perhaps ill-judged attempt at conciliation, President Bill Clinton restricted U.S. participation in collective-security operations and declared that "the United States does not support a standing UN army, nor will we earmark specific U.S. military units for participation in UN operations."

Predictably, this retreat failed to appease the House speaker, Newt Gingrich, who promptly accused Mr. Clinton of a continued desire "to subordinate the United States to the United Nations."

Nor did it appease the Senate majority leader, Bob Dole, who argued that international organizations too often "reflect a consensus that opposes American interests or does not reflect American principles and ideals."

The House has already passed a Gingrich-backed bill that would cut financial support for current UN peacekeeping operations by more than \$1 billion and limit the president's ability to approve new peacekeeping missions. This would eviscerate the American role in collective security.

For its part, the Senate is considering Mr. Dole's Peace Powers Act, which would amend the UN Participation Act of 1945 to give Congress a statutory role in the relationship between the United States and the United Nations.

Among other things, the bill would generally forbid U.S. troops to serve under foreign commanders and, in the words of The Washington Post, "would make it difficult if not impossible for the president to commit U.S. troops to new or expanded UN operations or even continue support for ongoing activities."

"The American people," Mr. Dole says, "will not tolerate American casualties for irresponsible internationalism."

Sir Nicholas Henderson, the former British ambassador to Washington, calls the situation "the rejection by the Republicans of the main plank of U.S. foreign policy for the last 50 years."

It is not as if America is deeply

involved in collective security. The United States stands 20th on the list of nations making troop contributions to UN operations, behind such world powers as Bangladesh, Ghana and Nepal.

Despite the popular impression that foreign aid is a major charge on the budget, the United States, once the world's top aid donor, has cut its allocation to a mere 0.15 percent of its gross domestic product, placing it last among the 21 leading industrial nations.

Nor can it be said that this recoil from collective security misrepresents popular sentiment.

A public opinion survey by the Chicago Council on Foreign Relations and the Gallup Organization shows that, while Americans are still ready to endorse euphoric generalities in support of internationalism, there is a marked drop-off when it comes to committing money and lives.

The wave of neoisolationism draws strength in part from the understandable desire to concen-

trate on improving things at home — a desire justified by the neglect of domestic problems during the Reagan-Bush years.

The neoisolationist enthusiasm also results from waning popular confidence in the bureaucracy, competence and peacekeeping skills of the UN. It draws strength from the recoil against all-out internationalists, who would set America on a crusade to establish human rights and democracy.

Neoisolationism gains further support as America — indeed, all nations — confronts the ultimate price of collective security. For the essence of collective security remains, as Churchill said, the readiness to act against evildoers "by force of arms."

Denied military enforcement, and with economic sanctions of limited effect, the international community's effort to restrain aggressors becomes hortatory.

Are Americans prepared to take a major collective-security role in enforcing the peace system? How

to persuade the housewife in Xenia, Ohio, that her husband, brother or son should die in Bosnia or Somalia or some other place where vital American interests are not involved? For that matter, how many stalwart internationalists in the Council on Foreign Relations would send their sons to die in Bosnia or Somalia? Dying for world order when there is no concrete threat to one's nation is a hard argument to make. And American leaders are not making it.

The United States has a professional army made up of volunteers — and the job, alas, may include fighting, killing and dying. But let a few soldiers get killed, and the congressional and popular demand for withdrawal becomes almost irresistible.

Surely this flinching from military enforcement calls for a re-examination of the theory of collective security. Despite two hot wars, a draining Cold War and a multitude of smaller conflicts, the Wilsonian vision is as far from realization today as it was three-quarters of a century ago.

In the United States, neoisolationism promises to prevent the most powerful nation on the planet from playing any role in enforcing the peace system. If we Americans refuse a role, we cannot expect smaller, weaker and poorer nations to ensure world order for us. We will not achieve a new world order without paying for it in blood, words and money.

Perhaps America's leaders should put the question to the people: What do we want the United Nations to be? Do we want it to avert more killing fields? Or do we want it to dwindle into impotence, leaving the world to the anarchy of nation-states?

National interest narrowly construed may be the safer rule in an anarchic world. But let us recognize that we are surrendering a magnificent dream.

The writer is professor emeritus in the humanities at the City University of New York. This was adapted by The New York Times from the forthcoming issue of *Foreign Affairs*.

Israel: The People Speak and the Signs Improve

By William Pfaff

PARIS — There is a slim beam of light in the dark skies over Israel, affording some optimism about accord between Israelis and Palestinians.

The Israeli government has suddenly agreed to a quick hand-over of all civilian powers to an elected Palestinian government on the West Bank. This is a big change in Israel's policy, and suggests that Prime Minister Yitzhak Rabin and his government realize that the slack pace and plodding concessions of the great opportunity Israel now possesses to rid itself of the country's destructive and demoralizing struggle with the displaced Palestinians.

The move clearly seems influenced by the explosive split that has just taken place in the opposition Likud party, between its members of North African and Mideastern origins and its European membership. The present Labor government is a good deal more likely to survive next year's national elections if this Likud division holds. Now is a

moment when Mr. Rabin can move on the Palestinian issue.

What do people in Israel want — Israelis and Israeli Arabs, and Palestinians on the West Bank and in Gaza? A new opinion poll on the future of Jerusalem shows less intransigence on both sides than often assumed.

The poll, conducted in late May by Gallup Israel and the Data Research Center in Bethlehem for the Israel/Palestine Center for Research and Information, shows that each side overestimates the intransigence of the other side.

It also shows that both sides recognize that their own first-choice solutions for Jerusalem are overwhelmingly unacceptable to the other side.

This means that while Israelis would much prefer an undivided Jerusalem under their own sovereignty, a sizable part of Jewish opinion is ready to consider other solutions. Palestinians recognize that they are not going to get back the parts of

Jerusalem they lost in 1967. Their second choice is, that Jerusalem be partitioned, with Israeli sovereignty over Jewish neighborhoods in East and West Jerusalem and exclusive Palestinian sovereignty over Palestinian neighborhoods.

They like that solution marginally better than a solution by which Jerusalem would remain undivided, under joint Israel-Palestine sovereignty, as the capital of both states, with its municipal affairs directed by neighborhood councils.

The poll found that those Palestinians favorably disposed to partition and separate sovereignties add up to 46.5 percent of the total, with 61.5 percent of West Bank Palestinians expressing some favor for this solution. Only 19.3 percent of the Palestinians in Gaza support it.

Approval for the shared-sovereignty, shared capital, neighborhood-government solution totals 46 percent, with support from West Bank Palestinians

at 58 percent, and among those in Gaza about 24 percent.

Among Israelis, support for undivided Israeli sovereignty over all of Jerusalem totals 76 percent. However only 15 percent believe that the Palestinians would accept this. In fact, only 9.2 percent of the Palestinians say they would do so.

Forty-four percent of the Israelis polled support the idea of split sovereignty over a divided city. Fifty-one percent think Palestinians would accept this (and more than 46 percent say they would). The Palestinians think only 39.4 percent of the Jewish population would accept split sovereignty, a significant underestimation.

Only 13 percent of the Israelis polled like the idea of shared sovereignty, a shared capital, and neighborhood government for the city. They think 54 percent of the Arabs would favor this. Only 46 percent actually do.

The most significant finding is that while 67 percent of the Palestinians would like to go back to the pre-1967 borders, only 15.4 percent think there is any chance the Israelis would accept this (only 10 percent of the Israelis would), and while over three-quarters of Israelis would like to keep total sovereignty over all the city, only 15 percent think this acceptable to the Palestinians (the actual figure is 9.2 percent).

Both sides overwhelmingly reject the idea of an internationalized city under UN control.

All this shows flexibility and realism on both sides. People see that second-best solutions are all they are going to get. This, for Israelis and Palestinians, would be a city divided into Jewish and Palestinian neighborhoods, under divided sovereignty.

Thus the argument really is over two choices, and among the two apparently available second choices the partition option has support in both camps that approaches 50 percent.

International Herald Tribune, Los Angeles Times Syndicate.



Like It or Not, a Lifeless G-7 Threatens the Livelihood of All

By C. Fred Bergsten

This is the first of two articles.

the IMF, to Russia and several other countries.

In managing exchange rates, a special G-7 responsibility, the record has been equally weak. Every major currency has experienced at least one severe problem in recent years without effective response, let alone preventive action.

Japan's huge trade surplus resulting largely from the weakness of the yen that was allowed to occur in the late 1980s even as Japan's growing international competitiveness should have strengthened the yen.

Europe could have avoided much of its record unemployment had the Deutsche mark been revalued after German reunification. Britain and Italy tried to defend their currencies at unsustainable levels and had to drop out of the European Monetary System; France nearly had to follow.

When members of the G-7 finally did address a currency problem, at their April meeting in Washington, they got it wrong by calling for a reversal of the "decline of the dollar." The dollar has, of course, fallen sharply against the yen and the Deutsche mark, but it has risen against most other currencies. And with America's external deficit already at record levels, it is hard to argue that the dollar is too cheap.

This episode revealed once more how the G-7 is unprepared to exercise its responsibilities. It has neither staff nor institutional memory and refuses to draw systematically on the resources of the IMF or anybody else.

It operates without any agreed

rules or systemic arrangements.

So badly has the G-7 situation deteriorated that the United States feared a rejection if it asked for help with the initial Mexico rescue, and several European countries abstained from the IMF vote on the final package because they regarded the U.S. strategy as inept. Likewise, intervention to defend the dollar on several occasions last year was rendered ineffective because the United States had to go it alone.

Tensions between the United States and Germany, and to a lesser extent between the United States and Japan, have become so acute as to make effective cooperation impossible.

Two sets of factors have enfeebled the G-7. One derives from perennial differences between the United States and Europe, especially Germany. Americans frequently seek to manage the world economy actively, tend to emphasize reducing unemployment and see economic leadership in global terms. Germans by contrast disdain "fine tuning," emphasize fighting inflation and confine their initiatives to regionally limited arenas. The German view is increasingly supported by the other Europeans and Japan. The end of the Cold War, by removing much of the glue that bound the G-7 countries in security arrangements, has brought these underlying differences to the surface.

In recent years, however, the larger source of G-7 impotence is a growing consensus among members that the group cannot influence events much anyway.

All members must reduce their budget deficits, so fiscal policy cannot be used for either domestic or international economic management. Monetary policy is thus left as the only available tool for stimulating or restraining internal growth, so it too is unavailable for external purposes.

The finance ministers bring very little policy clout or flexibility to the table, while the central bankers guard their independence so jealously that they cannot be coordinated by any-

body. The immense flows of private capital have intimidated officials from any efforts to counter them.

The G-7 countries thus seem to have adopted a de facto nonaggression treaty, giving up any serious effort to critique each other or to work seriously together to promote better global performance.

The writer is director of the Institute for International Economics. He contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Florida Lynching

NEW YORK — A despatch from McAlpine, Florida says that a negro named Bill Collins was lynched yesterday (June 10), the charge against him being of an attempted aggravated assault upon a white woman. He was followed by a posse of citizens and shot dead. Two others who aided Collins to escape were also shot. The bodies of all three men were carried to a railway line and laid on the rails, where they were terribly mangled by passing trains.

1920: Harding Chosen

CHICAGO — Senator Warren G. Harding, of Ohio, was nominated to be Republican standard-bearer in the Presidential Campaign shortly after the convention reconvened this afternoon (June 12). He showed a big gain on the ninth ballot, and immediately afterward Governor Lowden, released the delegates who were voting for him

in favor of the Ohio Senator, and his nomination followed in the tenth ballot.

1945: Treaty Is Denied

LONDON — Prime Minister Winston Churchill denied in the House of Commons today (June 12) the allegations of Marshal Henri Philippe Petain that Vichy and the British government had a secret "treaty" and that the Vichy regime actually was working with London. Even though a delegate from the Petain administration did come to London in October 1940, Mr. Churchill stated that no specific proposals about the French fleet or other matters in which the British government was vitally interested. Instead, the Prime Minister implied the Vichy emissary came to London on what appeared to be a spying mission. At this time Britain was standing alone, and an invasion by the German forces was a daily threat.

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OPINION/LETTERS

Very Nice,
But Look
Who Won

By William Safire

WASHINGTON — "We're not far apart," said Speaker Newt Gingrich.

"In general, I would agree," said President Bill Clinton.

That's the way it goes when two combative politicians are determined to out-nice-guy each other. They were pillows on their fists.

At their joint appearance in Claremont, New Hampshire, two men with basic differences in political outlook competed only in degrees of conciliation. When the president fumbled the opener, misunderstanding a somewhat foggy question about lobbying reform, the House speaker straightened it out without embarrassing anybody.

Mr. Gingrich even embraced blue-ribbon commissionism, a classic way to avoid controversy and accountability.

Not until the subject of AmeriCorps came up did a philosophical difference emerge.

"I don't fault his vision," said the gentle Newt, expressing his preference for private charity, "but it's a question of philosophy and priorities."

Mr. Clinton then gave an un-rebutted pitch for his subsidized voluntarism as "a tiny cost for a big gain."

When one of the elderly questioners raised the subject of the United Nations — where genuine and profound disagreement exists — the speaker wanted it known that "on a lot of foreign policy issues, we work very closely together" and saluted the president on his Haitian intervention.

The president noted that "the speaker has been very supportive of me on foreign policy," adding "we have to make his party somewhat less isolationist," and Mr. Gingrich seemed to agree.

What was going on here? Looking at it charitably, we saw a joint effort to replace the abrasiveness of political discourse with an effort by men of goodwill to minimize discord. "Just having your leaders chat instead of fight" was a rarity of great value, one of them — it could have been either — opined.

This anti-partisan moment required the ritual condemnation of the news media as the

Mr. Gingrich expresses the opinion that the presidency is "relatively less important" than the legislative branch...

JANZ GFR
The Christian Science Monitor
Los Angeles Times Syndicate

source of all the mean-spiritedness in politics today.

The media-driven need for sound bites makes them do it, they held; only in serene New Hampshire, world center of democratic folkiness, where people have time for town meetings, could such an explosion of agreement flower.

There is much to be said for civility, and broadcast TV networks should have carried this display.

But at the risk of sounding cynical, Mr. Gingrich's relentless obsequiousness struck me as insincere.

"Please applaud," he urged the audience after a Clinton comment fell flat.

The speaker seemed to have the edge in control, to the point of letting the president be the host and close strong.

Mr. Gingrich's only lapse from graciousness was in slipping in a plug for his book, which gave the president a chance to deliver a prepared ad lib. "Senator Dole hasn't given me permission to read that book."

Was the debate worth watching? You bet it was — not for what was said, but for the sight of two young old pros sparring publicly for the first time, one hand washing the other's political interests.

Was the president wise to take on the speaker in debate? Yes. Did he confer presidential "stature" on a prospective opponent? On the contrary, the reactive Clinton gained needed relevance by engaging the man at the center stage of politics.

And it is clearly in President Clinton's political interest to fan the draft-Gingrich spark, because he wants to run from the center against a man he

would soon denounce as an extremist. Was it smart of Newt to snatch up the handkerchief lightly dropped by Mr. Clinton about a joint appearance? Of course; it was an opportunity to present himself as a nonpartisan, in constant touch with his mother — not the ogre of ideology that has independents worried about him.

Let's cut to the chase: In the debate between two men trying desperately to lower their high negative ratings, who won?

Mr. Clinton came across as caring, compassionate, pain-feeling — put upon by the me-

dia's divisive oversimplifiers, none present at this occasion — while making a stunning concession to reality in an audience of oldsters that a reduction in the rate of increase of Medicare and Medicaid was inevitable.

The speaker of the House came across as a man trying hard to come across as someone other than himself. Bring back back-biting.

Sorry, zero-sum gamblers, the snap judgment in this corner — too soon to be influenced by polls or spinmeisters — is that they helped Bob Dole.

The New York Times

Egg-Napping Just Waiting to Happen

By Ellen Goodman

BOSTON — How do you describe the theft of a human egg? The kidnapping of an embryo? The abduction of reproduction?

Start by imagining, if you will, that you are an infertile couple who wanted a biological child badly enough to go through the expense, the indignities, the emotional and hormonal roller coaster of in vitro fertilization. Imagine the month-by-month hopes and disappointments.

Imagine discovering years later that you do have a child. A boy born to another

report thousands of dollars to the university. But the charge that strikes the deepest is that he used eggs and sperm, fresh and frozen embryos, as if they were his to distribute.

Dr. Asch denies all this. He claims to be the victim of extortionists. But along with the evidence accumulating in seven different investigations against him, there is a sense of a story that was waiting to happen.

It has been 15 years since the first act of creation took place in a laboratory. The reproductive possibilities that followed the birth of Baby Louise have made our heads spin. Reproductive "material" has been separated from what we used to think of as the reproductive process. We have seen an egg and a sperm that got together in a petri dish implanted in a third person's womb. We have seen surrogate wombs, post-menopausal mothers, women giving birth to their own grandchildren.

One result has been the joy of 40,000 couples who became parents. Another has been the dashed hopes of many more who did not beat the long odds against success. But an unsettling byproduct of laboratory creation has been the extra embryos, the spare eggs and sperm, the DNA frozen in suspended animation, ready or not for some later use.

In the past decade, a couple who died in a plane crash left their embryo in a freezer and left their relatives in a quandary.

Another couple sued each other for custody of a frozen embryo as the last remains of their dissolving marriage.

We are also warehousing all sorts of genetic material (who knows how many embryos, how many eggs, how many vials of sperm?) from infertility treatments. In a desire to alleviate the desperation and pain of childlessness, we have walked waist-deep into an ethical quagmire.

How hard would it be for a doctor trained to think about eggs as "reproductive material" to decide not to "waste" the leftover "material"? How hard would it be for a doctor whose single goal was to make babies to make them any way he could? This is a field, after all, with remarkably little oversight and even less regulation. Wasn't it likely to happen?

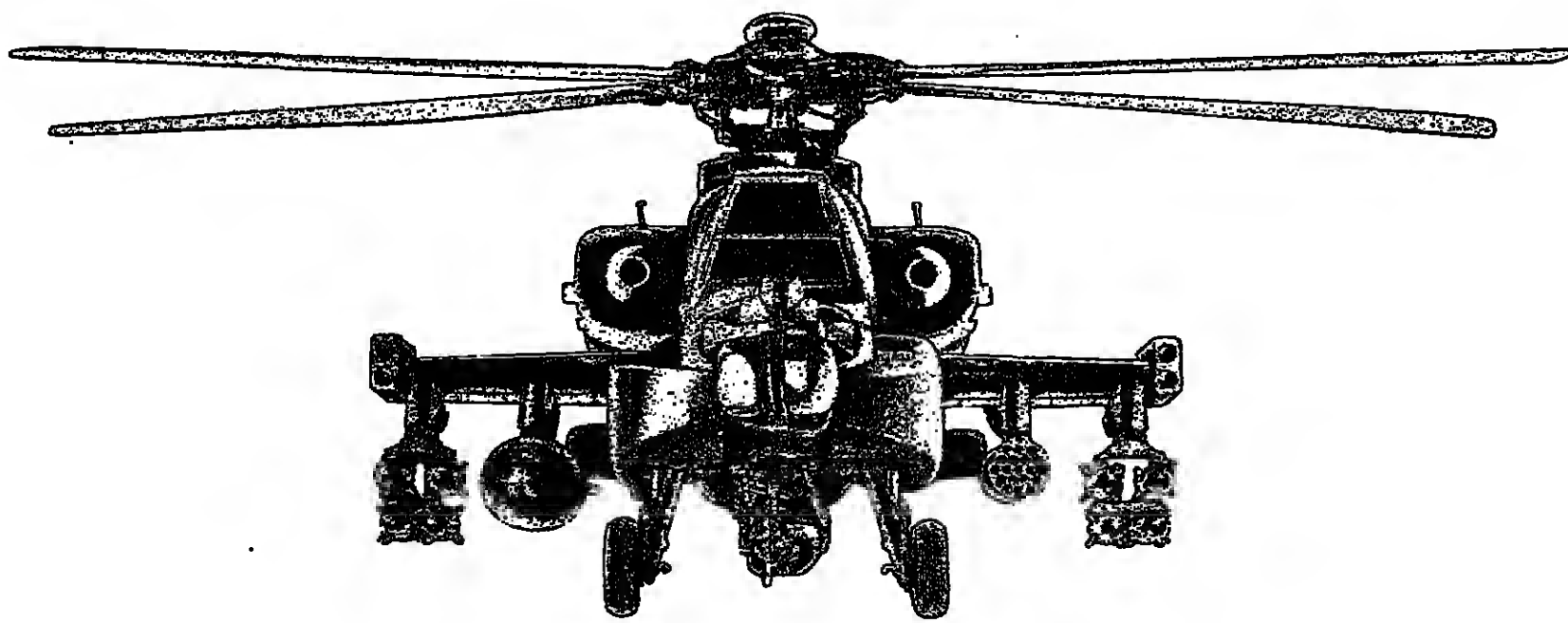
I am not suggesting that egg- or embryo-napping is somehow understandable. This is not in the ethical gray area. If the charges are true, Dr. Asch broke every rule in the book, from the guidelines of informed consent to the laws against burglary. If so, he violated the trust of his patients, violated their bodies and family bonds. But even if this is a rogue doctor, the fact is that infertility treatment is a medical business typified by too much desperation and far too little caution. It is wide open to abuse.

Today, that has become as clear as a crystal petri dish. One of the stars of the field is now charged with the cruelest and most perverse of ironies. He is accused of tricking infertile couples, who wanted nothing more than to have their own children, into providing children for others.

And in California there are at least four people left wondering about what one anguished father calls "the missing children."

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The Royal Netherlands Air Force
could have bought
from three other competitors.
But instead, they decided to settle for
something else.

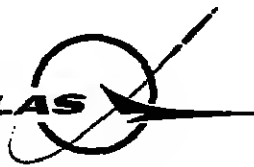


THE BEST.

Congratulations and thank you to the Royal Netherlands Air Force on the recent signing of a Letter of Offer and Acceptance for 30 AH-64D Apache helicopters.

The decision to buy the Apache was based on several criteria. They wanted a helicopter that was multirole and cost-effective. One that was mission-capable, day or night. A helicopter that could operate in adverse weather. And if possible, a helicopter that had experience. Preferably, combat experience. And they got it. Including all the combat experience of Desert Storm, along with nearly 800,000 total flight hours. So the Royal Netherlands Air Force got everything they wanted in a helicopter. They got the best.

MCDONNELL DOUGLAS



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LETTERS TO THE EDITOR

Japan's Trade 'Dues'

In response to Roy Denman's letter ("The Auto Dispute," *Opinion*, June 6), I would like to state for the record that his description of Japan as steadfastly refusing to act toward opening its market is grossly inaccurate. I do not wish to enter into an endless debate with Sir Roy regarding the possible outcome of the 1982 GATT complaint by the European Commission. Let me simply point out the fact that there were a number of protectionist measures in Europe in 1982, including restrictive customs procedures on video cassette recorders at Portiers and discriminatory quotas on Japanese autos. Europe has come a long way toward opening its market since. So has Japan.

It is well-known that our average tariff rate (at 1.5 percent) is now considerably lower than tariff levels in the United States or Europe. Japan is one of the major importers of the world's goods (both primary and manufactured). Critics would then argue that real barriers in the Japanese market exist in other forms than tariffs, such as excessive regulation and restrictive business practices. We are aware of the problem, and trying to rectify the situation ourselves through deregulation and aggressive enforcement of antitrust laws. We are also open to criticisms and complaints by our trading partners.

Our refusal to accept the U.S. demands on numerical targets should never be taken as our reluctance toward any change. We reject numerical targets and managed trade because we genuinely believe in free trade. It is not a pretext for preserving the status quo. Japan is ready to change its system, as is witnessed by our steady implementation of deregulation measures in the auto repair parts market. In Sir Roy's words, we are already paying our dues to the world trading club.

ICHIRO ARAKI
Deputy Director,
Trade Policy Planning Office,
Tokyo.

Victims of Aggression

We have rarely seen greater cynicism than in Thomas L. Friedman's article "The Bosnians Aside, You Simply Don't

Abandon Your Allies" (*Opinion*, June 8), in which he writes: "I don't give two cents about Bosnia. Not two cents ... The Bosnians will come and go."

The question of whether the Western powers could have done something to stop the Serbs three years ago, or could do anything at this terribly late date, is a wrenching one.

But however one answers these questions, there is no reason to stop caring about those Bosnians who cannot cross the main street of Sarajevo without being caught in the telescopic sights of a Serbian sniper. To paraphrase Mr. Friedman: Journalists will come and go, but decent folks all over the world will continue to give two cents for the victims of aggression.

VICTORIA SALVY,
ROBERT LITTELL,
Martel, France.

About Opus Dei

Regarding "Spreading the Papal Word," Page Two, May 12).

The article mentions that Joaquin Navarro-Valls belongs to Opus Dei, "a Catholic sect ... well-known for its secretive ways." The Opus Dei is not a sect but a personal prelature of the Roman Catholic Church. It is in no way a secretive organization; its constitution is a public document.

With regard to the Vatican's dealings with the press, although the Vatican is a sovereign European state, its raison d'être is spiritual and not temporal. Is it therefore reasonable to expect that its governments to the press as are the governments of other countries? The leaders of other European nations are elected by universal suffrage and therefore need favorable coverage by the press. This is not the case for the Holy Father, whose only goal is to save souls.

PAUL NAGY,
Paris.

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With or without? Clockwise from top left: Versace; cover of Versace book; John Depp; Grant; Clinton; magician David Copperfield; President Jacques Chirac; Ralph Lauren; Kasparov; Branson, and Jean-Louis Dumas-Hermès.

When Ties No Longer Bind: A Young Twist on an Old Knot

By Suzy Menkes
International Herald Tribune

LONDON — Elton John and Gianni Versace unite on Wednesday to sing the praises of men without ties.

You can read the title of Versace's latest photo-oeuvre as an ode to male freedom and liberty. Or you look at the fig leaf of checked ties girding the loins of the leaping naked male on the book jacket — and see the image as an end-of-the-century knell for the necktie.

At the celebrity party that Versace is throwing at his mar-

bled London store as a benefit for the Elton John AIDS Foundation, it will be a brave man who turns up in a tie. Since the guest list includes hip rock stars George Michael, Brian May of Queen, Nick Rhodes and Rod Stewart, ties are unlikely to be part of their fashion vocabulary.

"The tie has become a convention, the usefulness of which is doubtful," claims Richard Martin, curator of the Costume Institute of New York's Metropolitan Museum.

Martin has contributed an essay to "Men Without Ties" (John Murray/Abbeville Press), in which he describes the

mythology of the necktie and its alternatives: the Freudian link between ock and penis; the "erotic sexuality of the open neck"; even the possibility of promoting "hairiness" by exposing the naked chest.

The text complements photographs of what Martin calls the "Superheroes of South Beach," referring to the peacock parade of male vanity in the Art Deco area of Miami.

The general thrust of Martin's thesis is as familiar as the typical office uniform — that neckties are boring, bourgeois and a withered symbol of "commercial etiquette."

Versace is clear where he and his bravura men's designs stand on the issue.

"Since I was a child, I've preferred comfort and individuality," says the designer. "The fact of not wearing ties has grown up with me, maybe because wearing it causes me headaches and I've always hated being 'tied up.' I don't understand why there should be places where you should be obliged to wear a tie. I find this

a useless imposition.

"I have nothing against ties. I love children wearing them because they're funny and in some way represent a memory of the past."

Indeed, when did you last see a kid wearing a tie — outside of formal school uniforms or family weddings and bar mitzvahs, maybe? What with President Clinton casting off his tie at every sporting opportunity and Hollywood moguls led by Stephen Spielberg wearing aggressively casual clothes, the tie might seem to be an archaic and outmoded symbol.

Yet, isn't fussing and fuming about neckties a generational thing? Men who get hot under the collar and are convinced that the tie must go are the 1960s swingers for whom throwing off a tie meant abandoning inhibitions. These are the men who continue to stuff an expanding girth into blue jeans and make a self-conscious effort to dress down as "casual Fridays" soft-coo up the corporate image.

No one under 30 — the generation that has never been

forced to tie the knot — seems to see the tie as a threat. Slim ties worn with sharp suits are even super-cool, since Quentin Tarantino made the narrow necktie a symbol of the hard man in "Reservoir Dogs" and "Pulp Fiction."

That gangster image is used in fashion spreads in men's style magazines, with the 20-year-old actor Leonardo DiCaprio sporting the look on the cover of the American magazine Details and a feature on mobster style from the 1940s to the 1990s in the British magazine Loaded.

Trim neckwear is part of a revival of the 1960s Mod look. That has made Patrick MacNee as Steed in the television series "The Avengers" into a cult hero, and Mod frames the style of the young British music groups Blur and Menswear. As the British style bible i-D puts it, for this new generation of clean-cut kids, the "three-button suit is more important than the three-chord song."

Even when the image is more or less conservative, as in "Four Weddings and a Funer-

al," both in the film and in his personal life, Hugh Grant seems to find a formal tie no more sweat than a sweater.

Fighting the tyranny of the tie started in the 1960s, when bastions of sartorial conformity were stormed. Pierre Cardin was the first designer to challenge the menswear status quo, even remodeling the signature round-collared jackets of the Beatles. The "Star Trek" uniforms, personified by Captain Kirk, were typical of the space-age futurism that now looks quaintly outdated on the cusp of the new millennium.

Since the 1960s, going tieless has been something for the so-called creative professions, meaning film and art directors, stage and movie stars, gallery owners and those in the pop music business. They seem desperate to find alternatives to the tie even when it might be appropriate. Versace points out, "At the Academy Award ceremony almost no men had a tie; they were wearing shirts with a band which have been part of my collection for many years."

That meant Tom Hanks, accepting best actor award for "Forrest Gump" (a collar-and-tie conservative dresser) wearing a stiff round-collared shirt. He was asked by emcee David Letterman, "Would it have killed you to have worn a tie?"

The answer to that is "No" for Hollywood's Brat Pack, who may have been brought up in T-shirts and (ripped) jeans but can handle formal wear on or off screen.

In his latest movie, "Ed Wood," Johnny Depp, 32, looks as comfortable with a 1940s suit and tie as he does in angora as a cross-dresser, and at the Cannes film festival turned out in a tuxedo with bow tie. Even Keanu Reeves has a conventional shirt-and-tie style for his cyberpunk thriller "Johnny Mnemonic."

A new generation seems to have dispensed with the baggage once attached to the tie — the idea that it is an authority symbol or a bourgeois badge of respectability. But a tie may be worn with a twist of irony, as in the Pop Art patterns designed by New York's Nicole Miller or

when the lanky Chappendales perform wearing bow ties with their G-strings.

The idea that the tie is an endangered species is belied by the figures. Eight hundred million neckties were sold worldwide in 1994, with 100 million Japanese the leading purchasers, according to the lavishly illustrated "Book of Ties" by François Chaille (Flammarion). And for anyone who thinks that designer ties went out with "Wall Street" and the 1980s, Dior sells 2.5 million ties annually and Hermès one million.

But the really significant figures are the ones that point to the generation gap. A random list of tie-phobes from Woody Allen, through Richard Branson, Elton John, Issey Miyake and Rod Stewart would have an average age in the late 40s. While convinced tie wearers like chess player Garry Kasparov, 32, come from the next generation.

It is hard not to see many of the anti-tie brigade as fighting fashion demons of 20 years ago and hanging on to rebellious youth.

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SHELLEY'S HEART
By Charles McCarty. 558 pages.
\$23. Random House.

Reviewed by
Jonathan Yardley

NOT to mince words: "Shelley's Heart" is an amazing book. The eighth novel by a writer who to date has been filed away in the pigeon-hole of political suspense and/or spy fiction, "Shelley's Heart" at once stays within the conventions of genre and soars above them. It is a work of immense ambition that comes astonishingly close to achieving everything toward which it aspires. In so doing it rudely elbows its way into the precinct of "serious" fiction, rendering by comparison almost everything that now passes as such pallid, lifeless and jejune.

"A writer should live in the world," Charles McCarty has said, with those words instantly drawing a broad line between himself and the American lit-

erary establishment. Whereas the writers who enjoy the esteem of the literati and their academic satellites specialize in navel-gazing so intense and obsessive as to unnerve even Herr Doktor Freud, McCarty walks out into the world and tries to see what is happening there. In order to engage his readers' attention and to provide them amusement, he concocts elaborate plots and stages bloody scenes, but his real interest lies in the hearts and minds of the men and women whom he brings to life. As "Shelley's Heart" makes abundantly evident, if ever there was a "serious" novelist, he is it.

Whether "Shelley's Heart" is the best novel ever written about life in high-stakes Washington no doubt will be the subject of dinner-table debate for months and years to come. To my mind it is, but I have little patience with the prose style of Henry Adams and thus have never read "Democracy," which usually is put forward as holder of the local fiction cham-

pionship. I've read all the other contenders, though, and nothing comes close to "Shelley's Heart," which in every important respect simply rolls the competition into the ground.

The time is early in the year 2001. The president of the United States, a liberal from Massachusetts named "Frosty" Lockwood, has been re-elected by the narrowest margin in American history. On the night before his swearing in, he is informed by Franklin Mallory, the arch-conservative whom he had defeated, that someone working on Lockwood's behalf "stole the election" by rigging computerized results in Michigan, New York and California.

The two men are fierce rivals who "had always liked and understood each other," but Mallory is adamant in his insistence that the president decline to take the oath and arrange an orderly transition to what he regards as the duly elected administration.

From that starting point, which by no stretch of the imag-

ination can be called farfetched or fantastic, McCarty weaves a plot of extraordinary intricacy and plausibility. Among other things it involves the assassination, with American complicity, of an Arab zealot who was in position to threaten the West with nuclear blackmail; the dark ambitions of a new chief justice, Archimedes Hammett, himself as much a zealot as the

murdered Ibn Awad; the failing health of a drunken speaker of the House, an old Texan named Tucker Attenborough; the persistent ticking of "a time bomb in the Constitution."

McCarty has written a brilliant portrait of Washington. He is knowing and, when it is appropriate, cynical about the men and women who scramble up his greasy ladder. He also knows

that the business may be sordid but that all of those who engage in it are not necessarily sordid as well.

"Shelley's Heart" is a very long book, but there is not a single page, indeed not a single paragraph, in which it flags. In a word: amazing.

Jonathan Yardley is on the staff of The Washington Post.

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WHAT THEY'RE READING

• Ronald Freeman, first vice president of European Bank for Reconstruction and Development in London, is reading Paul Theroux's "Kingdom by the Sea."

"The problems with infrastructure in some of the more remote regions of this country reminded me of the problems we encounter in some countries of Eastern Europe."

(Eric Ipsen, IHT)

CHESS

By Robert Byrne

PAVEL BLATNY won the New York Open Tournament. In Round 8 he beat Joel Benjamin.

In the Rubinstein Variation of the Nimzo-Indian Defense, 5 a3 uses a tempo to obtain the bishop-pair after 5...Bc3 6 bc. Black can exchange bishops with 11...Bd3 12 Qd3, but in the pawn formation that is observable after 12...Qa6 13 Qd2, White has a good chance to produce an attack with an eventual e4.

After 19 e5 Nd7 20 f4, Blatny was virtually forced to try 20...f6 because he needed to shrink the white pawn phalanx.

Benjamin impatiently tried to smash through with the knight sacrifice, 21 Nb6?! Afterward, he said that a methodical buildup with 21 Ra1, followed by 22 Ra2 and 23 Ra2, would have been the correct way to press his initiative.

After 21...gh 22 f5 Qe7 23 e6, Benjamin later thought that Black could probably have served his knight with 23...Nb8, but that Blatny's Kh8 24 Bg8 Rg8 was unobjectionable. After

Position after 34 Kh1

25 ed Qd7, Black was at least equal with a beautifully poised knight and the target of the ragged white queenside pawns.

After 28 Re1 Re8, Benjamin took his rook out of play with 29 Rf1? and thus left Blatny in control of the important open e file.

The transfer of the black knight with 30...Ne4, 31...Nd6 and 32...Ne4 not only defended Blatny's king position but also prepared for attacks against the white king.

Benjamin erred with 34 Kh1, which allowed 34...Qb5! with a gain of tempo. Now, 35 Kg1 Qd3! 36 Bc7 Qc3 37 Bg4 Qd4 wins a pawn for White. He blundered with 35 Re1 and lost outright to Blatny's 35...Rg4! Since 36...Qg4 drops the queen to 36...Nf2, while 37 Qh6 is finished by 37...Nf2 mate, Benjamin gave up.

White	Black	White	Black
1 e4	1...e5	11 Bb3	11...Bd3
2 e4	2...e5	12 Qd2	12...Qa6
3 Nf3	3...Nf6	13 Qd2	13...Qa6
4 Bc4	4...Bc5	14 Qd2	14...Qa6
5 a3	5...Bc3	15 Qd2	15...Qa6
6 bc	6...Bc3	16 Qd2	16...Qa6
7 Bc3	7...Bc3	17 Qd2	17...Qa6
8 Bc3	8...Bc3	18 Qd2	18...Qa6
9 Bc3	9...Bc3	19 e5	19...Nd7
10 Bc3	10...Bc3	20 f4	20...f6
11 Bb3	11...Bd3	21 Nb6	21...Qd7
12 Qd2	12...Qa6	22 Ra1	22...Re8
13 Qd2	13...Qa6	23 Ra2	23...Ra2
14 Qd2	14...Qa6	24 Bg8	24...Rg8
15 Qd2	15...Qa6	25 ed	25...Qd7
16 Qd2	16...Qa6	26 Re1	26...Re8
17 Qd2	17...Qa6	27 Bc7	27...Qc3
18 Qd2	18...Qa6	28 Re1	28...Re8
19 e5	19...Nd7	29 Rf1	29...Nf2
20 f4	20...f6	30 Ne4	30...Nd6
21 Nb6	21...Qd7	31 Nd6	31...Ne4
22 Ra1	22...Re8	32 Ne4	32...Ne4
23 Ra2	23...Ra2	33 Bg4	33...Qd4
24 Bg8	24...Rg8	34 Kh1	34...Qb5

Aviation

Airlines Get Inventive
In Trimming High Costs

By Lee R. Howard

WASHINGTON — In a business where a large percentage of costs are beyond their control, airlines have been forced to come up with inventive ways to cut the expenses they can control.

Operating costs at U.S. airlines rose almost 30 percent since 1986, according to an index compiled by the Air Transport Association of America. But they have leveled off at that high altitude, with the index showing a decline of less than 1 percent last year.

Rising jet fuel prices used to get the blame for higher costs, but fuel prices have been falling steadily since 1991.

Fuel makes up about 12 percent of an airline's operating costs. If the price of fuel rises by 1 cent a gallon, it costs the U.S. industry \$160 million in a year.

During the Gulf War, the price of jet fuel jumped from about 55 cents per gallon to more than 77 cents. But since then, the price has declined, falling below 55 cents per gallon last year. That drop represents an annual saving to the industry of about \$3.5 billion.

Labor, at 36 percent of total operating costs, is by far the largest single cost for airlines. At U.S. airlines the average salary was \$37,000 last year, compared with \$42,000 in 1986.

In the early 1980s, American Airlines negotiated a two-tier system with its unions, in which new hires were paid about half of what veterans earned. Only over several years could the recruits pull even with their colleagues.

Other airlines soon negotiated similar contracts, and for the first time in decades, labor costs flattened. But the reprieve lasted only about five years, with subsequent contracts reducing the time required for new hires to reach the higher pay scales.

Since then, airlines have tried several other ways to cut labor costs, most frequently by seeking pay cuts and work-rule changes. In exchange, workers have been offered profit-sharing, stock and seats on the company board.

In another cost-cutting move, most of the airlines last year put a cap on the commissions paid to travel agents for domestic tickets. The commission rate had grown more than 60 percent per passenger-mile from 1986 to 1991.

The move was bold: Travel agents handle more than 80 percent of total airline ticket revenue. But their commissions make up more than 10 percent of an airline's operating expense.

Airlines have also trimmed fat in food costs. Meals make up 3.6 percent of operating costs. From 1986 to 1992, the average cost for meals rose more than 40 percent. By serving lighter meals and eliminating food on short flights, airlines have in two years cut catering costs by almost 15 percent.

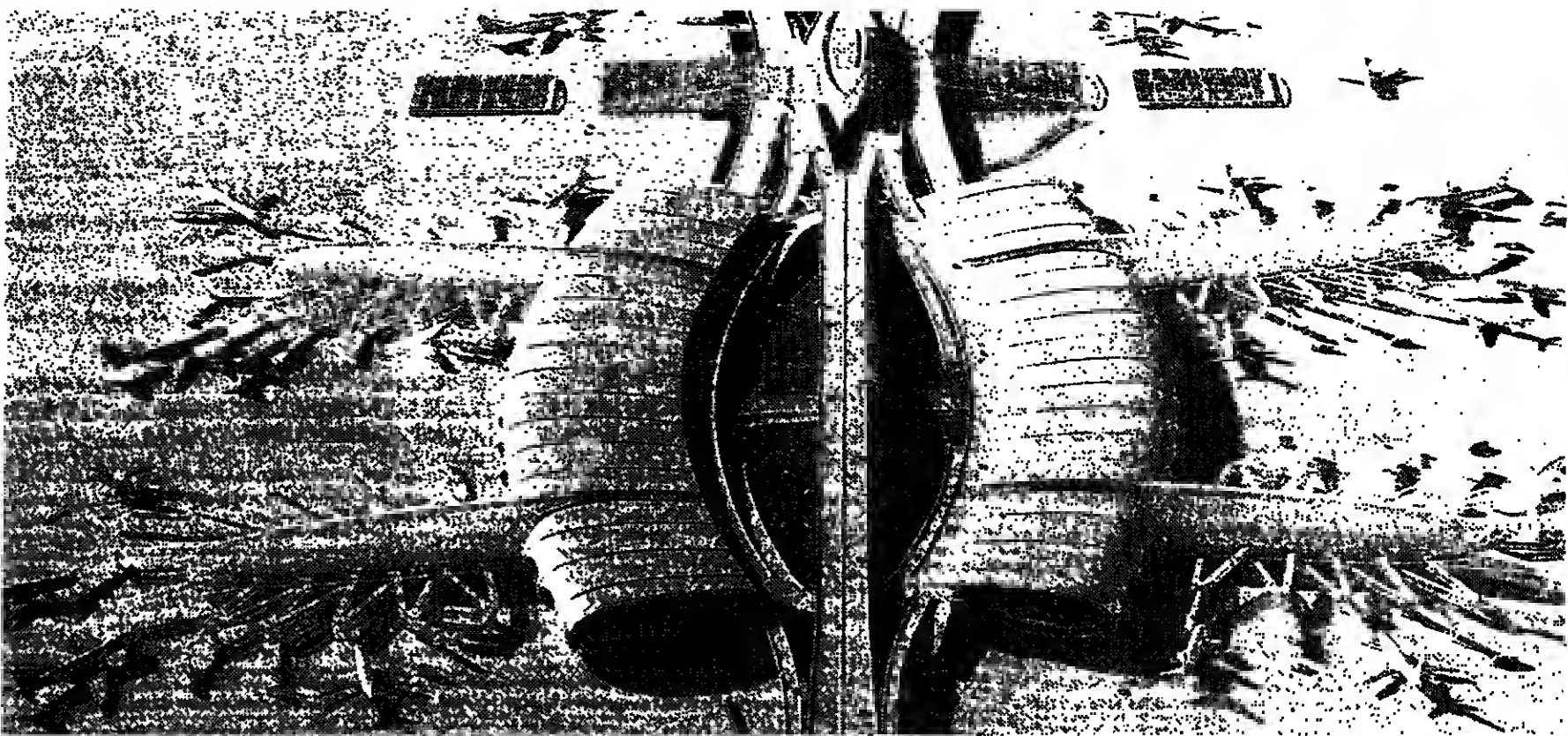
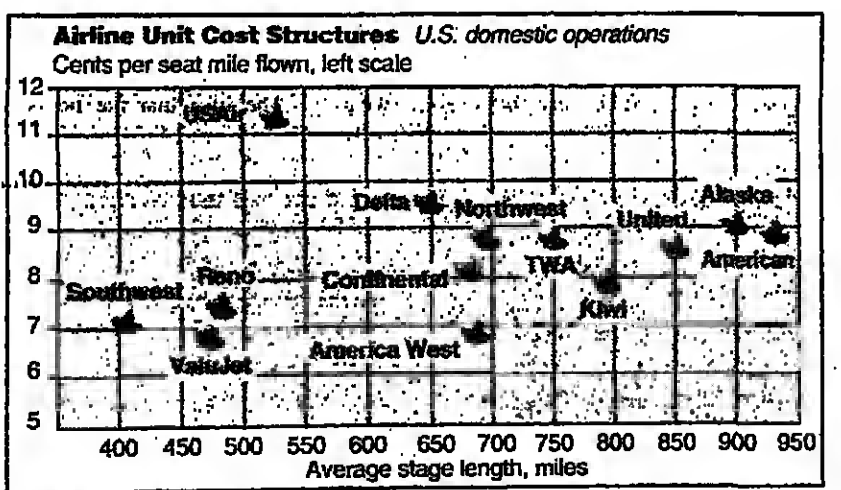
Some airlines are trying to cut food-service costs to the bone: American Airlines has started having passengers pick up their meals before boarding some flights.

Nonetheless, many carriers are faced with changing attitudes toward products, services and prices. Even business fliers seem to be choosing the low-cost, low-frills service offered by a slew of new airlines.

Most of the newcomers have emulated Southwest Airlines, the low-price, low-frills veteran, and the survival rate of recent entrants is much higher than was the case in the 1980s.

Older carriers, such as USAir, American, Delta Air Lines and United Airlines, have operating costs up to 50 percent higher than those of Southwest and such imitators as Reno Air and ValuJet Airlines.

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The Charles De Gaulle Airport in Paris; code-sharing allows airlines to serve destinations they wouldn't ordinarily reach.

Code-Sharing Gives Carriers Global Reach

By Michael Richardson

KUALA LUMPUR — When Virgin Atlantic Airways of Britain joined Malaysia Airlines this month to launch daily flights to and from Australia using Malaysia Airlines planes, it was not just the start of a new competitive challenge to established carriers on the route between Australia and Europe.

The partnership was part of a trend toward strategic alliances between airlines in Asia and the Pacific and their former rivals from Europe and the United States.

Such alliances are laying the basis for global travel networks that, in addition to promising passengers greater convenience, may force other carriers into similar deals.

Airlines in the West are positioning themselves to take maximum advantage of the rapid growth in air travel in Asia, which analysts predict will account for half the world's air passenger traffic in 15 years.

The International Air Transport Association says annual air passenger travel in the Asia-Pacific region will increase by 7.5 percent by the year 2000, and by a further 7 percent between 2000 and 2010. That would lift the region's share of world air travel to around 50 percent, from some 30 percent today.

Asian airlines are entering alliances with Western carriers to cut costs and

increase the pool of travelers from which they can draw.

In such arrangements, called code-sharing, participating carriers coordinate schedules and feed each other passengers.

In January, Malaysia Airlines and Virgin Atlantic announced a partnership that includes operation of twice-daily code-sharing flights from London to Kuala Lumpur. Cabin crew from both carriers will serve on the flights, which have a joint flight designation.

Code-sharing arrangements allow passengers to travel on different airlines using the same ticket. Carriers like code-sharing because it allows them to open service into new markets without the expense of operating independent flights.

In May, the Australian government,

which is eager to promote competition on the route to and from Europe via Asia,

announced that Virgin and Malaysia Airlines could extend their code-sharing flights from Kuala Lumpur. Virgin was given the equivalent of 660 seats a week into Australia for a 12-month period.

Analysts said the alliance should increase passengers and profits for both carriers, giving Malaysia Airlines greater access to the United States through code-sharing with Virgin and extending the reach of Virgin into Asia and the Pacific.

Matthew Samuel, director of corporate affairs at Singapore Airlines, said he expected that by 2005, all the international operators in Asia and many of the region's domestic carriers would be linked, through code-sharing or other means,

with airlines from elsewhere in the world, particularly Europe and the United States.

Thai Airways International, United Airlines of the United States and Lufthansa AG are working out details of a three-way agreement that executives said would eventually enable passengers to fly to more than 500 destinations worldwide as though they were on a single airline.

Since late March, passengers have been able to earn mileage points and redeem travel awards on the frequent flyer programs of any of the three partner carriers. Later in the year, Lufthansa and Thai Airways will begin coordinating schedules, sharing lounges and airport facilities, channeling passengers from

Continued on Page 14

EU Seeks to Block 'Open-Skies' Deals

By Barry James

PARIS — The European Commission is threatening to take Britain and several other European Union member-states to court for negotiating "open skies" agreements with the United States, saying that they may jeopardize airline deregulation in the EU.

In what is seen by the Commission as an attempt to divide the union, the United States announced June 5 that it would open discussions with Britain to expand market access mutually. It earlier approached six of the smaller EU countries — Austria, Belgium, Denmark, Finland, Luxembourg and Sweden — offering them reciprocal market access and code-sharing agreements.

These countries, plus three nations approached by the United States that are not members of the EU — Iceland, Norway and Switzerland — account for less than 10 percent of the trans-Atlantic market. Britain is another matter.

If these deals go through, they could seriously disrupt the European single market, Commission officials say. The Commission therefore announced June 6 it would take Britain to the European Court of Justice under the EU's founding Treaty of Rome, and that it was preparing similar action against the other states.

"We think we could get a better deal with everyone acting together," a Commission spokeswoman said. She added that any agreement the Commission negotiated would not be less liberal than

existing agreements between the United States and European countries.

Neil Kinnock, the EU transport commissioner, says there are persuasive economic arguments for negotiating as a community, and he denies that the Commission is attempting to take on additional powers at the expense of the member-states.

In Europe, he said in a recent interview with *Airline Business* magazine, "There is a continual and progressive provision for liberalization. But it's of necessity balanced with transitional periods with economic and social obligations, which you would expect in a continent which has got a lot of islands and peripheral areas, and also of course with very firm requirements on removal of state aids."

"That package was hard-won. It required a lot of negotiation and it required people to make compromises. I'm not prepared to see that scrapped and replaced by some sort of commercial omnibus in a very unorganized way by the U.S. form of deregulation."

European transport ministers are scheduled to meet on the issue on June 19. The Commission is seeking a tough negotiating mandate that would be aimed at obtaining an open-skies agreement for the union as a whole, rather than for individual member countries.

The agreement proposed by the Commission would call for free market access for all U.S. and EU carriers, allowing European airlines to set up for business in the United States and vice versa. The Commission also proposes that the limits for foreign ownership of airlines should

rise to 49 percent in both the United States and Europe.

The draft agreement also includes criteria covering computer reservations systems, code-sharing, slot allocation, state aid for airlines and Chapter 11 protection for bankrupt airlines.

Industry sources said the Commission's proposals are unlikely to be acceptable to Washington.

The Commission's mandate also is unclear under European legislation. The European Court ruled last year that the Commission's responsibility for collective external trade negotiations does not extend to transport. The Commission argues that another ruling makes it responsible for any foreign negotiations that affect internal EU regulations.

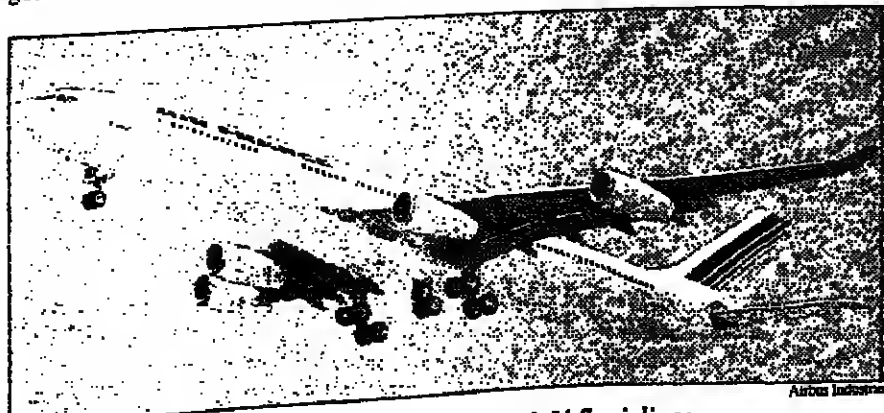
The United States currently has an open-skies agreement with only one EU member, the Netherlands, which was negotiated before the current "third package" of European airline deregulation came into effect at the beginning of last year.

The EU is scheduled to remove most remaining restrictions on Jan. 1, 1997, allowing European airlines to set up for business in any member country of the union. British Airways, for example, is already positioning itself to create majority-owned subsidiaries in both France and Germany in direct competition with Air France and Lufthansa.

A spokeswoman for the European Commission said that liberalization in Europe "is coming along nicely, but we don't want it blown off course by a deal which is not balanced and reciprocal."

Officials in the six countries and at some of their airlines have accused the Commission of being heavy-handed over deals that would bring them substantial benefits. The Commission spokeswoman acknowledged that for the countries concerned, the deals being offered by the United States would be beneficial because it would give them market access they do not now have.

"But the Commission's job is to look after the interests of all 15 member-states," she said, adding that the deals would give U.S. carriers "through the back door," a network that includes considerable traffic rights and great advantages in terms of code-sharing and the future development of hub-and-spoke operations — none of which, she said,



Flag-carriers in Europe want reciprocity with U.S. airlines.

Continued on Page 12

WHAT DOES IT TAKE TO
BECOME A WORLD LEADER
IN JUST 25 YEARS?

Airbus Industrie started just 25 years ago with nothing but a seemingly impossible dream — to counter the dominance of the firmly entrenched giant aircraft makers. From that standing start the company can now boast a \$9 billion annual turnover, thousands of employees and over 30% of the market share for large commercial aircraft. From the very beginning they had to fight great scepticism and overcome many obstacles.

Most importantly, they had to win customers' confidence in spite of having no product line or corporate track record. That impossible dream has become reality. The clean sheet they started with has let them set new standards in every area. New standards of international cooperation,

organisation, and meeting market demands. New standards of design, innovation, materials, testing, manufacture, reliability, safety and customer service.

The result is that Airbus Industrie are now right at the top of the aircraft makers' league, satisfying the needs of virtually all of the world's major airlines.

For all their competitors, the disturbing problem is that they know this is just the beginning. Airbus Industrie will never rest on their laurels.

AIRBUS INDUSTRIE
SETTING THE STANDARDS

AVIATION / A SPECIAL REPORT

Question Marks Hover Over Europe's Regional Carriers

By Barry James

PARIS — Europe's regional airlines are emerging relatively undamaged from the economic recession, making them potentially bright prospects for aircraft manufacturers. But question marks continue to hang over the industry.

Regional carriers transported about 40 million passengers last year, an increase of "only" 15 percent from 1993, according to the European Regional Airlines Association, or ERA. Earlier growth increases had been 20 percent or more.

But more passengers did not translate into more revenue, and the regional business remains a precarious sector of a precarious industry.

Regional carriers need a high growth rate because costs are high and yields are correspondingly low. It costs a commuter jet as much as larger aircraft to use air traffic lanes and land at airports. This means that fixed expenses form a much higher proportion of overall operating costs.

ERA estimates that user charges account for 18 percent of a regional carrier's cost, compared with 9 percent for major airlines.

The European Union's third wave of deregulation, which came into effect last year, means "we can fly where we want without objection from major carriers and charge the fares we want," said Mike Ambrose, director general of ERA. "But the majors still exercise enormous power through control of the distribution system. The infrastructure capacity is so scarce at major airports and in the air that we are vulnerable to user charges that are intended to manipulate capacity."

This has forced regional carriers to fly bigger planes, he said. Over the past eight years, the average aircraft flown by smaller carriers has increased to 34 seats from around 29, with the fastest-growing sector in jets with between 50 and 100 seats.

"Many routes are no longer economically feasible with smaller planes because of the high charges and the pressures on infrastructure," he said. "If you cannot get the airport slots you need, the only way you can sustain growth is to increase the size of the aircraft."

Because of the recession, airlines have not been placing orders as fast as manufacturers had hoped. But Mr. Ambrose said orders should take off toward the end of this year. "You cannot sustain this rate of growth without somebody putting down money for metal," he added.

Ian Woodward, a spokesman for British Aerospace PLC, said the prospects look good for its Avro RJ regional jet — eventually. "We think we have another year of still quite a lot of pain," he said. "But we see signs of improvement on the horizon."

We believe that the market should show signs of improvement in 1997."

British Aerospace projects a market for 15,000 new aircraft over the next 20 years, half of them in the regional class below 100 seats.

In the United States, new carriers usually start on routes with enough capacity to require larger aircraft from the beginning. The regional industry in Europe, however, is deliberately intended to open up routes to peripheral regions and stimulate cross-border links where traffic is limited. The regional carriers have not been allowed to challenge the position of the majors, several of which have created their own feeder subsidiaries or formed close alliances with smaller companies.

Because of the domination of the majors, the regional industry remains fragmented.

About 70 percent of the world's turboprop and regional jet aircraft are produced in Europe. With 17 manufacturers, 15 of which produce turboprops, the market is crowded and a shakeout looks increasingly likely.

British Aerospace, for example, is joining the current members of the ATR regional aircraft consortium — Aerospaciale of France and Alenia of Italy — in a new joint venture to be called Aero International Regional, or AIR. The new company will begin operations next January. Mr. Woodward said the new venture would be a logical complement to British Aerospace's participation in the Airbus Industrie consortium and would enable the companies to pool costs for research, development and sales expansion, particularly in Asia.

Deregulation has been an enormous spur to the regional industry. "We are three times the level now that we were in 1987, and that is an enormous growth by any stretch of the imagination," Mr. Ambrose said. This has been facilitated by the availability of specialized, custom-built aircraft, the majority of which have been built in Europe by British Aerospace, ATR, Fokker, Saab and Dornier.

"Twenty years ago, we used castoffs from the majors. Now we have the equipment that's built for the job. We have an industry we should be proud of," Mr. Ambrose said.

Despite the recession and the cost squeeze, the regional industry continues to

expand, with more than 70 companies now operating. Failures like Euro Direct Airlines in Britain have been outweighed by start-ups, like Air Nostrum in Spain, East West in Germany, CityJet in Ireland and Eurosky in Austria.

The number of cross-border start-ups has been a disappointment, for the simple reason that most passengers still want to fly to a hub. Mr. Ambrose said the linking of secondary airports looked good in theory, "but in practice, if you are living in Tarbes in France, the chances are that you don't want to fly to Bodo in Norway." Linking regional cities, he added, works only when there is a natural affinity between them, such as complementing industries.

In addition, the impediments to truly free skies are still huge, from the difficulty of obtaining venture capital in a recession to the lack of competition at airports, where ground facilities are often in the hands of state airlines.

Because of the domination of the majors, several of which are still directly or indirectly supported by their national governments, the regional transport industry remains largely a fragmented, niche business. High infrastructure costs mean that, with the exception of Ryanair in Ireland, it has been impossible to start the low-cost, no-frills operations pioneered by U.S. airlines like Southwest and ValuJet.

"There is no incentive on busy congested routes for a start-up carrier to come in as there was in America because of the congestion problem," an official at the International Air Transport Association in Geneva said. Some analysts say the majors probably prefer it this way, because it keeps potential competition at a distance.

Complaints abound about high air fares in Europe, which are considerably higher on scheduled services than in the United States. However, charter carriers provide a low-cost option that dampens the demand for low-frills operations like that of Southwest. The charter airlines fly more than half the total number of passengers in Western Europe, with near-scheduled regularity on some routes. They generally operate newer aircraft than the major carriers and have a pricing structure that is difficult for any scheduled airline to beat. In addition, most tickets on scheduled flights are discounted.

The emphasis in Europe, however, has been on promoting economically viable airlines rather than cutting fares, and this is likely to continue after a final wave of deregulation in 1997.

"The key is that we have got to have healthy airlines," Mr. Woodward said. "If yields through competition are reduced to the point where airlines are no longer healthy and can no longer sustain either their operations or new investment, then that will be damaging for the industry as a whole."

Signs Point to a Mature U.S. Market

By Lee R. Howard

WASHINGTON — Airline industry analysts and others are warning that growth in U.S. domestic air travel may have peaked, never again to grow at multiples of the expansion rate of the overall economy.

Typically, industries follow an "S-curve" pattern: After a slow start, most successful industries go through a high-growth phase.

But eventually, as demand for the industry's product or service is more fully met or is diverted to other goods, the growth rate subsides and flattens, and the industry is said to have matured. This is what happened to bus, train and ship transportation in the 1950s and 1960s, all of which "matured" largely because of competition from air travel and transport.

In the 1930s and 1940s, air transport was just becoming a full-fledged industry. Spurred by the introduction of new aircraft in the late 1950s, air travel took off.

Throughout the 1960s and 1970s, the industry grew at

double-digit rates for years at a time, until it seemed it might continue to skyrocket forever.

More recently, however, many signals have appeared that the U.S. airline industry has begun to reach maturity.

From 1960 until about 1980, airline revenues as a percentage of gross domestic product more than doubled, moving from less than 0.4 percent to more than 0.8 percent.

But then the percentage stayed nearly constant for a decade and has declined since 1990.

A similar pattern exists for airline passenger revenues as a percentage of personal consumption expenditures.

Gross domestic product is a measure of total economic activity and includes all air passenger revenues, personal and business. Personal consumption expenses include only personal travel revenues, comprising about one-half of total air passenger revenues.

The relationship between these figures strongly indicates that airline revenues are no longer outgrowing the overall economy — a phenomenon that is a characteristic of a mature industry.

The maturing of the air transport sector has serious implications for major U.S. airlines.

Almost all carriers strive to close the gap between their own costs and those of new or down-market competitors. But the combination in the current market of this cost gap and customer resistance to higher fares would cause the major carriers enough competitive problems even if the market were flourishing. The weaker traffic growth of a maturing market compounds their predicament.

At the same time, there are other external factors contributing to the recent slowdown in air travel.

First, one of the airlines' old competitors has revitalized its growth potential with a new type of service.

International point-to-point travel by ship was almost entirely replaced by the airplane years ago. But more recently, sea travel aimed at getting somewhere has given way to simply cruising.

Although getting to the cruise port often involves air travel, the substitution of cruising for some types of va-

cations appears to be resulting in a net loss for air travel.

Moreover, the recent bargain-consciousness of consumers — which has been the major cause of recent weak air traffic growth — has resulted in an increase in demand for low-cost, low-frills service. But the lower fares charged by Southwest Airlines and its emulators will almost certainly minimize any growth in revenue that might have been expected to come from increased volume of overall travel.

All told, the evidence that the domestic U.S. industry has matured seems to outweigh other explanations for the recent slowdown in traffic growth.

While American carriers will have their hands full coping with these new industry realities, the lessons they learn may benefit their European and Asia-Pacific counterparts.

Says George James, a veteran analyst and former chief economist for the International Air Transport Association: "I believe that a fixed ceiling has closed in on the U.S. airline market and may not be too far off in the world market."

Airlines Turn Inventive to Trim Costs

Continued from Page 11

Few, if any, of the newer airlines are unionized, and many are owned by their workers. So, for the time being at least, their labor costs are more controllable than those of the older airlines. The market share of South-

west and its imitators is only about 10 percent, but it is growing. These airlines are taking market share from the traditional airlines, not creating traffic.

Recent efforts by some airlines to spin off parts of their operation to provide low-price, low-frills services have not been successful. Continental Airlines

recently disbanded Continental Lite, its effort to compete in the low-frills sector.

In the longer term, the cost gap between the established carriers and the upstarts will narrow. Operating costs at the veterans seem to have peaked. If they can avoid further rises in labor costs and fuel prices do

not rise substantially, those costs should gradually fall. But in the meantime, the traditional carriers will just have to watch in frustration as their competitors nibble at their markets.

LEE R. HOWARD is president of Airline Economics International Inc.

EU Threatens Suit Over 'Open Skies'

Continued from Page 11

would be available to EU carriers in the United States.

The United States has long been impatient over the slow pace of liberalization in Europe, which was deliberately staggered over three stages to

avoid the disruption that followed airline deregulation in the United States.

Carriers such as Pan American World Airways and Eastern Airlines were allowed to disappear in the United States, but carriers such as Air France and Iberia survive thanks to infusions of state aid approved by the

Commission. While the regulations now make it much easier in theory for rivals to challenge the major airlines in Europe, this has not happened to any great extent — partly because of the shortage of venture capital in a recession, and partly because of the shortage of capacity at main airports and in airlines.

Still, the European Commission insists that it is pushing for more liberalization and will be happy to do a deal with the United States — as long as it is reciprocal.

BARRY JAMES is on the staff of the International Herald Tribune.

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In fact, the enterprise actually makes a significant contribution to Europe's balance of payments, and has

made unprecedented inroads into the US market, the world's most challenging.

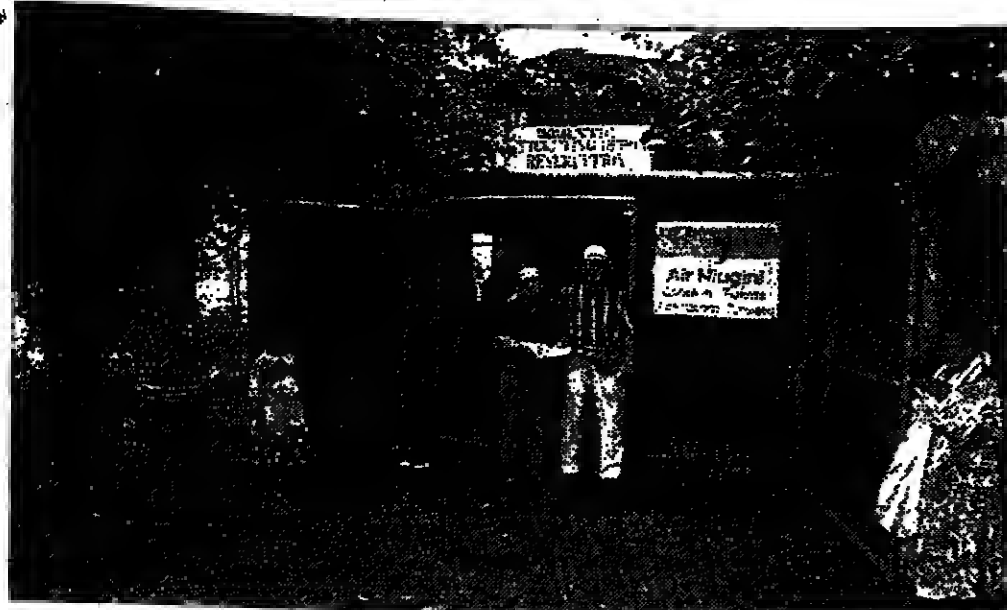
But the company never loses sight of its origins, nor of the need to keep customers constantly satisfied.

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AVIATION / A SPECIAL REPORT



The Air Niugini facilities at Tari International Airport, Papua New Guinea.

At Air Niugini, It's Never Dull

By George Ridge

PORT MORESBY, Papua New Guinea — Last year was to have been the best in history for Air Niugini, the largest of the many Melanesian and Polynesian airlines operating in the South Pacific.

The carrier's roots go back to the Morobe Goldfields, once the site of the busiest air-freighting operation in the world. Amelia Earhart departed from Lae Aerodrome, New Guinea, on July 2, 1937. She overreached her destination, a speck of land named Howland Island 2,556 miles (4,152 kilometers) away.

Today Air Niugini has eight international destinations and 20 domestic airports. The domestic fleet has grown to seven Fokker F28-1000s, one F28-4000 and two Dash 7 aircraft, while internationally the airline is served by two Airbus 310-300s.

But Air Niugini's prospects for a record year in 1994 went up in smoke on Sept. 19, when the city of Rabaul was shaken by full-scale eruptions from two volcanoes within 24 hours.

A plucky Air Niugini flight captain rushed to the airfield at 5:30 A.M. and saved an F-28 that was awaiting the day's flight to the capital in Port

Moresby. He and the ash cloud became airborne almost simultaneously.

But even with its fleet intact, Air Niugini and the entire nation of Papua New Guinea face severe economic consequences as they dig out from the eruptions.

What is more, the natural disaster came on the heels of civil unrest that had already curbed tourist travel to Bougainville, another important destination. "Rabaul was the highest revenue-generating airport in the country," lamented Geoff McLaughlin, manager of public relations at Air Niugini.

In a letter to employees, Dieter Seefeld, a former executive with Lufthansa AG who is now running Air Niugini, noted that the state-owned carrier recorded a first-half profit of 4 million kina (\$3.1 million) in 1994 and projected a profit of 7 million kina for the year.

He said the devaluation and subsequent floating of the kina had hurt the airline's performance and that fare increases were probably unavoidable.

On the positive side, Mr. Seefeld cited the start in 1994 of charter service between Japan and Papua New Guinea, and Mr. McLaughlin predicted that scheduled service would begin between the two nations by 1996.

Scheduled service to Japan

would almost certainly improve the carrier's profit picture because a potentially lucrative air-freight market exists between Japan and Papua New Guinea. Charter flights may not carry freight.

Japan is a major buyer of seafood from Papua New Guinea, and Papua New Guinea's automobiles and trucks are almost all Japanese-made. The air-freight business thus would have solid customers on both ends.

Air Niugini has now reopened operations into Rabaul with a leased F-27, but ground facilities were destroyed in the eruption. The flights generally carry security troops, emergency rations and clothing.

Mr. McLaughlin said Air Niugini would like to upgrade more of nation's airports to take the F-28.

But it may be years before Rabaul, once the most popular destination for Japanese visitors, will again be a viable tourist base.

The latest bad news from an Australian Navy survey team is that much of the World War II wreckage in a harbor popular with scuba divers has been lost under tons of newly shifted silt.

GEORGE RIDGE, a professor emeritus at the University of Arizona, often writes on the Pacific Islands.

Young U.S. Carrier Profits by Operating Simply

By Barry James

SIMPLICITY is paying handsomely for a new American carrier that has managed, in a precarious business, to make a profit every month since it started less than two years ago.

Valujet Airlines, based in Atlanta, is a strictly cost-based operation. It figures out how much it costs to fly from point A to point B, adds on a reasonable profit and then charges passengers on a per-mile basis rather than on what the market will bear.

Valujet's corporate motto of "Good Times, Great Fares" has helped bring good times to the publicly traded company. Operating revenues for the first quarter of 1995 increased 227 percent over the first quarter of 1994, to \$60.7 million. Unaudited net income rose to \$9.1 million from \$2.1 million, and the company reported a net income of \$20.7 million for 1994. Passenger traffic rose 196 percent in the same first-quarter periods, to 900,000.

Valujet has no complications like frequent flier programs. The airline has only one type of aircraft, the DC-9; it owned 29 of them before a recent non-fatal crash. Each plane has 113 seats. The company has four more of the jets on order.

Valujet issues no tickets — passengers call for a reservation, pay by credit card and pick up a reusable plastic boarding card at the departure gate. Seats are distributed on a first-come, first-served basis.

Unlike other low-cost airlines, such as the failed People Express, Valujet does not pretend to be cheap or entirely without frills. It has decent terminals and ground services at Atlanta and at its Dulles Airport minihub outside Washington. It serves food and drinks in the air.

Prices range from a low of \$39 for a 21-day advance booking from Atlanta to Savannah, Georgia, to \$169 for a full-fare one-way ticket from Atlanta to Montreal, via Washington. The average fare is \$64.67. These prices are 40 percent to 60 percent less than those offered by competing airlines, said Marcia

Scott, a spokeswoman.

By keeping an almost fanatical control over costs, the airline starts making a profit with a

took home \$20,000 more in an annual profit-sharing bonus, plus stock options.

Valujet is often compared with Southwest Airlines, the low-cost Texas-based carrier, which also makes a profit. But there are differences in philosophy. Southwest aims to dominate its routes by operating a high-frequency service. Valujet adds flights only when it is sure they will be profitable. It also says it will drop unprofitable offerings, although it has not had to do so yet, and that it will not move out of its niche market in the east.

The success of Valujet and Southwest has major airlines racing to emulate them, but the failure of Continental Lite shows that it is not easy for a carrier with established habits to embrace a simpler corporate lifestyle.

With long-established route networks and working practices, the major airlines have had less success in keeping costs under control. They also have the problem of competing with low-price airlines in their domestic markets and high-quality

services from international carriers on their overseas routes.

Valujet has held costs down by operating only used aircraft. Most of its DC-9s have been flying for a quarter of a century, but they were thoroughly overhauled by McDonnell Douglas Corp. before delivery.

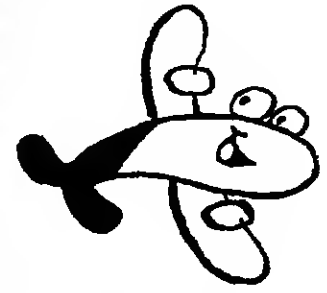
Valujet also seeks to make flying fun, Ms. Scott said. Its jets are distinctive in white, sky blue and sun yellow, decorated with a cartoon plane called Critter.

"Our competition is not the other carriers, but the automobile and the television," Ms. Scott said. "We are generating our own traffic by making it possible for people to fly."



45 percent load factor, which means each passenger above the first 50 on a flight generates a profit. The company, which serves 28 destinations out of Atlanta, had an average load factor of 71.5 percent in May, Ms. Scott said.

Although basic wages at Valujet are low for the industry, a profit-sharing plan brings earnings up around the industry average, Ms. Scott said. A Valujet captain typically earned \$45,000 in base pay last year but



Start-Up Airlines Thrive in Booming Asia Market

FOR the reigning giants among Asian airlines, start-up carriers have quickly turned into upstarts on the passenger and profit horizon.

Blue-ribbon carriers such as Singapore Airlines, Thai Airways International, Qantas Airways, Japan Air Lines and Korean Air Lines are looking over their corporate shoulders at such newcomers as Asiana Airlines and Eva Airlines. Even Ansett Airlines, a recognized name in Australia, now seeks a niche in the world's fastest-growing civil-aviation market.

"It is a relatively free market now for Asia's carriers, a growing market, and these new airlines should hold their share of it," said Chi Mun Yow, a vice president and aviation specialist at Merrill Lynch in Singapore.

"The seed has now been planted for this type of airline. They are more market-oriented and they will continue to expand, although their profit is not that great at this point," he said.

Asiana was launched in 1988 when South Korea decided to allow competition against its flag-carrier, Korean Air Lines. At the time Asiana had two domestic routes. Since then, it has become one of the best performing of Asia's

second-tier international carriers, turning its first profit last year.

"New companies can usually get off to a good start against companies that formerly had no competition," said Patrick Khoury, general manager for marketing and sales for Asiana in the Americas. He said the mood of the South Korean government would probably continue to favor less involvement in route regulation, which bodes well for Asiana.

Asiana does not fly to Europe, but flights to Paris and Brussels are, in Mr. Khoury's words, "under review."

While Asiana awaits its call to enter the European stage, Eva Airlines already serves London, Paris and Vienna from its hub in Taipei.

In the late 1980s, Asiana obtained permission to service routes from South Korea to Japan and now flies to 10 Japanese cities. Asiana went on to offer competition for Korean Air Lines in the lucrative market from Seoul to the western United States.

That market is important because Korean-Americans make up a large community in the United States, particularly in the West. In addition, the U.S. military presence on Okinawa and Asiana's service to Beijing and Shanghai has turned Seoul into a major hub for U.S.

air travelers in the region.

The Okinawa route from the United States via Seoul and other Asiana routes to Japan allow international travelers to avoid the bus link in Tokyo from Narita, the international airport, to Haneda, the domestic airport.

"I get a lot of complaints about the inconvenience of transferring from Narita to Haneda for flights within Japan," said Marianne Roy, a travel consultant who handles large volumes of travel for many of the retirement communities in Arizona. "The airports are on opposite sides of Tokyo."

Along the way, Asiana has picked up a growing market of Koreans who vacation at the resorts on Okinawa. Golf bags make up a sizable percentage of the luggage on the Seoul-Naha flights.

Mr. Khoury explains Asiana's growth in terms of service and safety. "What drives the decision of a passenger to return to an airline is the quality of service on board," he said. "On-board hospitality is a real issue with today's passenger."

He also cites Asiana's safety record, new fleet of aircraft and on-time performance as factors in "showing people by their own experience that Asiana is a good airline."

Over four years, Eva Airlines has forged a market in the United States by using Taipei as a hub for flights between Asia and Honolulu, Los Angeles, New York, San Francisco and Seattle.

Eva's Honolulu link is significant, as that city, a popular destination for Japanese tourists, has figured increasingly in air transport trade negotiations between Washington and Tokyo.

Analysts think Asiana, too, could profit from any upheaval if, as is rumored, the U.S.-Japan trade talks turn to hardball over landing rights in Tokyo for U.S. air cargo services.

Despite more than half a century of flying within Australia, Ansett Airlines has been an international player for only two years. The airline now flies to Hong Kong and Osaka from several Australian cities.

Ansett sees a regional hub-and-spoke system as "an attractive way to expand markets," said John Climo, regional sales manager for the Americas. He said Ansett hoped to attract American travelers who want to stop and shop in Hong Kong before switching to another carrier for destinations in the South Pacific.

— George Ridge

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AIRBUS INDUSTRIE
SETTING THE STANDARDS

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Uneven Ride for Stocks

By Martin Baker

PARIS — If you enjoy paradoxes, the international airline industry is a sure source of pleasure. Some say that the business that transports people around the world is only international in the narrowest sense, and they point to the difficult progress of "open-skies" negotiations, which are often hampered by national self-interest, to justify their position.

Others argue that the attention paid to management expertise in the airline industry makes little sense. Given the international and national political games going on, many company managers often have little room to maneuver — or so they say.

Then there are those who claim that one really cannot talk about airlines in terms of investment attraction since, political considerations aside, the international airline industry is very much the creature of the economic cycles of the countries it serves.

The progress of diplomatic moves toward a free market in air travel has been both difficult and slow. For instance, the United States and Britain announced an agreement last week that would allow market access to non-flag-carriers and would free up several routes across the Atlantic. But the European Commission is threatening court action to prevent such bilateral deal-making.

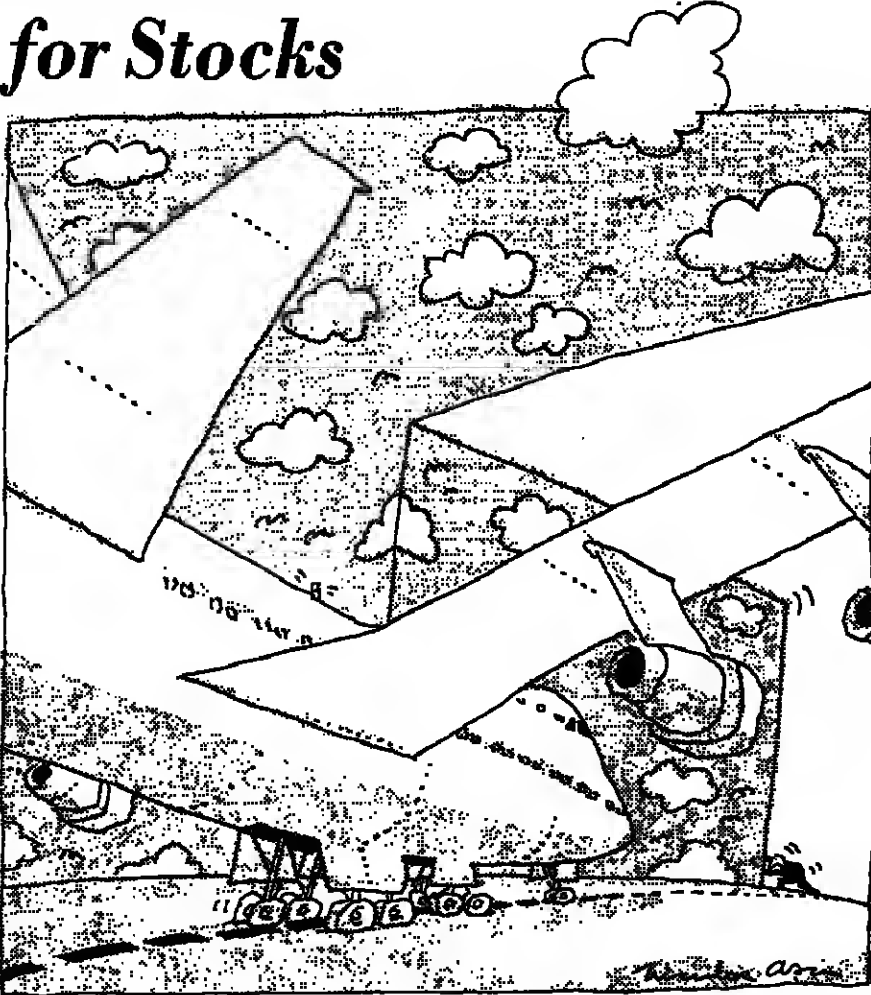
At present, operators need to be at least associated with a carrier of the country into which they are flying," said Chris Tarry, an analyst at Kleinwort Benson Securities in London. "There is a move toward open skies, but it is dogged by regulations from many countries."

But in spite of the regulatory climate within the EU, he added, consumers have found ways to squeeze value out of the market. About 85 percent of tickets sold for flights within the EU are discounted. Mr. Tarry said — a surprisingly high percentage, given the relative lack of competition for most intra-Europe routes.

In addition to international politics, members of the airline industry have to fight a war at home if they wish to attain profitability or avoid losses. Much of airline management's success — or otherwise — depends on the attitude of the local government.

British Airways is cited by many analysts as a classic turnaround company. Since its emergence from state control in the 1980s, the company has risen in the industry to become "the second most profitable company in the world, in terms of pure cash profit, after Singapore Airlines," according to Mike Powell, an aviation analyst at NatWest Securities Ltd. in London. British Airways reported a record pretax profit for 1994 of £432 million (\$678 million) for 1994 despite a special charge related to USAir, the money-losing carrier in which BA holds a 24.6 percent equity stake.

Much of that transformation was the result of a favorable political climate, said



Guy Kekwick, an analyst at Lehman Brothers in London. "BA would certainly admit that part of its success is because of the cooperation it received from the Thatcher government," he said.

One analyst in New York, who spoke on condition of anonymity, argued that the history of Air France showed the other side of the political coin.

"Back in 1993," the analyst said, "the French government managed to stab its management in the back and shoot itself in the foot when dealing with Air France's labor unions. There was a climb-down and a total loss of face."

Bernard Anali, then chief executive of Air France, resigned shortly after the unions' triumph.

Mr. Powell of NatWest Securities said that Air France, despite its labor costs, was now doing reasonably well in a strong market. But expensive labor agreements are still dragging down other European carriers, he added, citing Alitalia as a prime example.

Cutting costs — particularly labor costs, which for airlines typically make up 30 percent to 35 percent of total costs — is seen as one of the few universally applicable tests of management skill.

Mr. Kekwick of Lehman Brothers said that Lufthansa AG provided a good illustration of what can be done. "1992 was a desperate year for the company," he said. "But its management used the dire financial circumstances to negotiate with its labor force. The head count fell from 48,000 to 40,000, and Lufthansa is now

enjoying the full upside."

Lufthansa posted a group net profit of 302 million Deutsche marks (\$214 million) in 1994, its first profitable year since 1990.

But this is clearly a vintage year for airlines. The majority of analysts agree that the industry is in a cyclical upturn.

"We are two years into recovery now," Mr. Powell said. Figures released last week by the Association of European Airlines in London showed traffic up 8.8 percent and capacity up by 6.6 percent for 1994. Mr. Powell reckons the recovery has at least a few more years to run. "We think 1998 is the earliest potential peak for this cycle," he said.

Mr. Tarry, however, argued that 70 percent of the volume of international air traffic was determined simply by economic conditions.

Mr. Powell said that separating out what part of an improvement in an airline's earnings was attributable to an economic upturn as opposed to good management was one of the most difficult points to analyze in the sector.

Some say that problems in making that distinction makes airline stock, if not unmanageable, too volatile to hold on to for too long.

"As with all investment, timing is everything," said an aviation analyst in Paris. "But with the airline industry, it's absolutely everything."

MARTIN BAKER edits the Money Report for the International Herald Tribune.

Turbulence Ahead for Qantas Shares

By Michael Richardson

SYDNEY — The government's recent decision to allow a substantial increase in foreign ownership of the national airline, Qantas Airways Ltd., is expected to stimulate investor interest when the state's remaining stake in the carrier is sold off next month.

But analysts doubt that the government will achieve its target price of 2 billion Australian dollars (\$1.45 billion) for its 75 percent stake in Qantas.

The airline has had its share of good news recently. It improved in its financial performance and won approval in May by Australia's antitrust regulator of a cooperative arrangement with British Airways PLC that is expected to trim costs further. But Qantas still faces turbulence as it heads toward an initial public offering.

The government announced in its annual budget message May 10 that it would raise the limit on foreign ownership of Qantas to 49 percent from 35 percent. It earlier planned to offer only a 10 percent stake to foreign investors in addition to the 25 percent held by British Airways, which paid 665 million dollars for its stake in December 1992.

British Airways will not be allowed to add to that stake, as the government's limit on individual foreign stakes will stay at 25 percent.

Participation of additional foreign investors "should help ensure that the government attracts the full value for Qantas" while retaining a fair share for Australian buyers of the stock, Finance Minister Kim Beazley said.

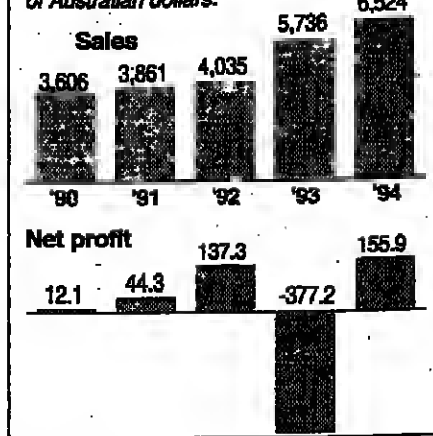
Qantas controls about half of the air travel market within Australia and flies to 25 foreign destinations in Asia, the Pacific, Europe, the United States and southern Africa.

So far, support for the Qantas share issue from Australian fund managers and institutional buyers has been only lukewarm.

Stewart Brentnall, head of the equities division at Schroders Australia Ltd., said he expected the increased portion available to overseas investors would sell quickly, adding some needed momentum to the

On the Block

Qantas financial results, in millions of Australian dollars.



share flotation.

He described U.S. and European institutions as "hungry airline investors."

But he said it would be "stretching things" to hope to get anywhere near the 2 billion dollar target price for the stake.

While the price depends on the performance of the stock market in the next few weeks, he said, a realistic estimate would be somewhere between 1.4 billion and 1.7 billion dollars.

There will be 750 million shares on offer, so an average sale price of 2.20 dollars a share would bring in 1.65 billion dollars before costs.

A new management team at Qantas, combined with belt-tightening and expansion in Australia and Asia, has made Qantas more valuable. The airline posted an 80 percent increase in profit after taxes during the second half of 1994, to nearly 129 million dollars.

"Qantas has sharpened its commercial focus with a disciplined drive for better returns on funds invested, more consistent service and aggressive marketing," said Gary Pemberton, chairman of the airline.

Australia's antitrust regulator, the Trade Practices Commission, provided some more good news for Qantas on May 12 when it approved an arrangement with British Airways allowing the two carriers

to share passengers, revenue, prices and schedules on routes between Australia and Britain.

The decision, which reversed an initial rejection of the proposal by the antitrust body in November, cleared up a significant element of uncertainty hanging over the Qantas share issue.

Qantas and British Airways originally expected to save around 90 million dollars a year from the code-sharing and coordination alliance. But analysts said the savings might turn out to be much smaller because of the conditions imposed by the regulators. These included a limit on fare increases for three years and the simultaneous approval of additional competition on the Australia-Britain route from Virgin Atlantic Airways Ltd., an arch-rival of British Airways, which will initially be allowed in via a code-sharing arrangement with Malaysian Airlines.

Qantas faced a further challenge in April when Hong Kong, acting on a complaint from Cathay Pacific Airways Ltd., said that as of July 1, it would limit the number of passengers Qantas could carry from Hong Kong onward to Bangkok and Singapore to 50 percent of those traveling on any given flight.

Hong Kong officials claimed that 85 percent of Qantas travelers leaving the British colony had no intention of visiting Australia and should, therefore, be on Cathay Pacific, the Hong Kong flag-carrier.

They said this alleged abuse of so-called fifth-freedom rights to pick up passengers in Hong Kong was costing Cathay Pacific 30 million Australian dollars annually in lost business.

James Strong, managing director of Qantas, responded that Cathay Pacific enjoyed "virtually unrestricted rights to carry Australians anywhere," but that the carrier simultaneously wanted to "limit severely" the number of passengers Qantas could take from Australia via Hong Kong to other destinations.

Australia threatened retaliation, saying it would approve continuing Cathay Pacific's current service to Australia only until June 30, instead of Oct. 28 as the carrier had sought. Both sides have agreed to hold fresh talks on the issue, and analysts expect a compromise to be reached.

Code-Sharing Opens New Air Markets

Continued from Page 11

their long-haul services into each other's domestic and regional flights and operating code-sharing aircraft.

Lufthansa and United already have a trans-Atlantic alliance that offers about 100 code-sharing services daily to 55 destinations in the United States and Europe.

Once the U.S. and Thai governments finalize a new air ser-

vices agreement, probably later this year, trans-Pacific code-sharing flights and schedule coordination can be put in place by Thai Airways and United.

"Customers nowadays are demanding access to a global system, not single airline networks," said Hendrik van Opstal, general manager of United in Singapore.

Similar global alliances, reinforced by cross-shareholdings or equity stakes, already link Singapore Airlines, Delta

Air Lines of the United States and Swissair; British Airways, Qantas and USAir, and KLM Royal Dutch Airlines and Northwest Airlines.

In March, Northwest and Air New Zealand agreed to participate in each other's frequent flyer program, share airport facilities and offer joint fares and sales support.

Earlier this month Japan Air Lines and Air France signed an agreement to link their frequent-flier programs, cooperate

in airport operations and sales development, fly joint freight operations and explore other ways to work together.

Delta and All Nippon Airways announced in June 1994 that they would discuss a wide-ranging business alliance, potentially the first such deal between a Japanese and an American airline.

MICHAEL RICHARDSON is editor for Asia of the International Herald Tribune.

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Model	Price	Features
Beechjet	\$1,200,000	High speed, low fuel consumption
King Air B200	\$1,800,000	Large cabin, high altitude performance
King Air C90B	\$1,500,000	Excellent visibility, reliable engine
Bonanza A36	\$1,100,000	Lightweight, easy to maintain
1900D Airliner	\$1,300,000	Spacious interior, comfortable seating
Hawker 800	\$1,400,000	Advanced avionics, excellent climb rate
Hawker 1000	\$1,600,000	High performance, long range

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THE TRIB INDEX: 120.74

International Herald Tribune World Stock Index, composed of 200 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



Asia-Pacific
Approx. weighting: 35%
Close: 127.34 Prev.: 128.48

Europe
Approx. weighting: 37%
Close: 128.95 Prev.: 129.82

North America
Approx. weighting: 20%
Close: 110.41 Prev.: 109.85

Latin America
Approx. weighting: 8%
Close: 85.58 Prev.: 85.15

World Index
Close: 120.74 Prev.: 120.74

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. For Tokyo, New York, and London, the index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.

Industrial Sectors	Close	Prev.	% Change
Energy	124.48	124.38	+0.04
Utilities	130.76	131.23	-0.36
Finance	119.13	120.01	-0.73
Services	112.50	112.45	+0.04
Capital Goods	123.99	123.34	+0.53
Raw Materials	137.69	137.83	-0.10
Consumer Goods	116.86	116.10	+0.48
Miscellaneous	131.11	131.28	-0.13

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92021 Neuilly Cedex, France.

Mesa Gets Low Bids For Gas Reserves

Bloomberg Business News

DALLAS — Mesa Inc. said Monday that bids for its prize Hugoton Field reserves of natural gas in Kansas had fallen far short of expectations and that it was considering other options to reduce debt.

Mesa is selling the reserves, considered some of the richest natural-gas deposits in the United States, to lower its \$1.2 billion in long-term debt, which has cramped its ability to finance new drilling.

T. Boone Pickens, the natural-gas company's chairman, said last month that other reserves in the Hugoton area recently had sold for about 93 cents per 1,000 cubic feet (30 cubic meters). At that price, Mesa would have received \$1.1 billion for its properties. The highest offer the company received was 63 cents, for a total of about \$750 million.

"It is not realistic that we accept a price which is clearly less than the intrinsic value of these premium properties," Mr. Pickens said.

Mesa stock fell 50 cents to close at \$4 in New York.

The sale of the Hugoton properties remained a priority, Mr. Pickens said, adding that Mesa might divide the assets into several pieces to permit small buyers to participate in the auction.

FMC Corp. to Buy Mooreco
FMC Corp. said it would acquire Mooreco International Inc. for \$313 million, or \$28 a share, 40 percent more than its original offer for the Houston-based maker of pressure-control equipment, according to a Bloomberg Business News report from Chicago.

Mooreco's board last month rejected FMC's \$224 million hostile bid as too low.

Fliers Wary of U.S. Offer

By Barry James
International Herald Tribune

PARIS — Washington offered U.S. satellite technology, free of charge, to the world Monday in what the head of the Federal Aviation Administration called a bid to improve aerial navigation, but European space officials said they detected as a Trojan horse.

In the atmosphere of commercial saberting that permeates the Paris Air Show, the FAA official, David R. Hinson, denied that the offer was part of a U.S. attempt to gain technological superiority in a key area.

The European Space Agency, the air traffic organization, announced meanwhile that they were working on a joint program to provide Europe with its own control of satellite-navigation services.

European space officials said they suspected the U.S. offer was an attempt to thwart European initiative and undercut competing satellite, space and communications technologies.

But Mr. Hinson insisted there were no strings attached to the offer to make the U.S. global positioning system, or GPS, available to the world's airlines free of charge for 10 years. He said it would enable pilots to know exactly where they were anywhere in the world by triangulating signals from three or more of 24 U.S. military satellites orbiting 11,000 miles above the Earth.

To counter European fears that the United States was trying to establish technological superiority in a key field, Mr. Hinson replied that the system would be administered by the International Civil Aviation Organization, a UN body.

European countries have been wary of relying on the U.S. global positioning system and



A similar Russian system called Glonass because both are under military control.

U.S.-European trade conflict has emerged as the major theme at the air show, with heavyweights Airbus Industrie and Boeing Co. locked in an open battle for customers.

Mr. Hinson, a former executive with McDonnell Douglas Corp., dismissed talk of a trade war, saying commercial struggle between private companies benefited both airlines and air passengers. But European industrial chiefs, including the Airbus head, Jean Pierson, criticized the United States over the plunging dollar, which is the currency of reference in the industry.

Italian Markets Skid on Victory For Berlusconi

Reuters

MILAN — Former Prime Minister Silvio Berlusconi's victory in a referendum on his television interests sent a shiver through financial markets Monday as investors feared renewed political tension in Italy.

After weeks of relative political calm, markets became concerned that Mr. Berlusconi, revitalized by the referendum, would seize the occasion to press his demand for snap general elections.

Dealers reported that the Bank of Italy had probably bought some lire on the open market as the Deutsche mark rose to 1,185 lire from a close Friday of 1,164 lire.

The government bond market also lost ground, and the Mibtel index in Milan fell 1.62 percent, with selling focused on big blue-chip stocks like the carmaker Fiat SpA, which tumbled by more than 2 percent.

"The markets fear that Berlusconi is going to demand elections immediately," said Antonio Federico of the Milan brokerage Interim.

Investors took fright after Italian voters rejected a proposal that would have forced the

tycoon-turned-politician to sell two of his three national television stations.

The result was a significant boost for Mr. Berlusconi, whose political star has dimmed since he was toppled from power in December by a mutiny in his center-right Freedom Alliance coalition.

General elections before the end of the year could leave the current interim government of Prime Minister Lamberto Dini without enough time to draw up needed budget cuts for next year and push them through the legislature.

Mr. Dini has won applause from the financial community, which would prefer to see an election next year, for toughening the 1995 budget and winning an accord with unions to reform Italy's expensive pension system.

The former central banker, who was Mr. Berlusconi's treasury minister, said his government's future did not depend on the outcome of the voting. "There is absolutely no direct link between the results of the referendum and the duration of the government," he said Sunday.

Central Bankers Warn of Volatile 'New Landscape'

By Carl Gewirtz
International Herald Tribune

PARIS — Central bankers warned their governments Monday that financial markets would increasingly punish those countries that failed to spend within their means and control inflation.

The warning was offered in an annual report by the Bank for International Settlements,

the Basel-based bank for central banks.

Andrew Crockett, a former Bank of England official who is now general manager of the BIS, said that "the power exercised by financial markets" can only "continue to increase" and he urged policy makers to undertake "what adjustments were inevitable and to initiate them in a preemptive manner."

The annual report said those adjustments included reductions

in fiscal deficits and debts and continued vigilance in containing inflation. Citing accelerating wholesale prices in the United States, Britain, Italy, Spain and Sweden, it warned that "inflationary pressures may be stronger than the behavior of consumer prices implies."

The only exception was Japan, where there was "some risk that an outright process of deflation could be triggered."

Last year's turbulence in

world bond markets, estimated to have amounted to a capital loss of some \$1.5 trillion, and this year's volatility in the foreign-exchange market are evidence of a "new landscape," the report said, where extreme price swings may well be greater and their consequences further-reaching than in the past.

That kind of volatility can frighten investors away from government bonds and thus raise borrowing costs by forcing

issuers to pay high interest rates.

The new landscape "puts a premium on policies conducive to financial discipline," the report said, adding, "Strategically, a firm longer-term focus on price stability is the best safeguard, one which can only be achieved with the support of fiscal discipline."

In the view of the BIS, the only positive aspect of last year's turbulent markets and the result.

See BANKERS, Page 16

Thinking Ahead / Commentary

The G-7 Emperors Have No Clothes

By Reginald Dale
International Herald Tribune

WASHINGTON — One of the more alarming comments about this week's annual summit meeting of the Group of Seven industrialized countries came from a senior Canadian official who was trying to be reassuring.

"The first point I want to make about the Halifax summit," the official told journalists in Washington last week, "is that it is very clear that the leaders have taken control of the summit process."

That seriously misleading claim was intended to rebut suggestions that the summit's outcome had been "pre-cooked," after the embarrassing leak of a draft of the final communiqué 10 days in advance. As all good officials know, an iron rule of summits is that the leaders must take all the credit.

Unfortunately, for some years now, there has been precious little to take credit for. The annual summits have become increasingly flagrant demonstrations of the G-7's failure to tackle the main problems facing the world economy.

Of the 20 summits held since 1975, independent analysts generally rate only four or so as big successes, none of them in recent years. And even when the leaders have agreed on action, they have often failed to follow through.

In the words of John Kirton, a summit specialist at the University of Toronto, "The issues at the heart of monetary and

financial policy are those where compliance has been least strong. Moreover, summit agreements on managing exchange rates have been strikingly ineffective, producing on the whole the opposite of what was agreed."

There would be much more hope for the G-7's future if leaders stopped pretending to be in charge of the summit process and acknowledged that they have become its prisoners. They have become trapped in a sterile ritual, in

Their summits have become increasingly flagrant demonstrations of the group's failure to tackle the problems facing the world economy.

which their main role is to pose for cameras and endorse marginally relevant communiqués that have indeed been cooked up by their officials.

Lulled into inertia by the lavish media coverage and their own self-importance, they seem unaware of the emptiness of their gatherings, much in the way that Hans Christian Andersen's Emperor could not see that he had no clothes.

Of course, the leaders occasionally make feeble attempts to break out of their gilded cage. They promise to reduce the pomp and circumstance and revert to

smaller, more informal gatherings next time.

But they don't follow through. They allow their staffs to fix the agenda and dictate the size and composition of the delegations — no fewer than a staggering 2,000 official participants are expected this year.

By recent standards, Halifax may qualify as a modest success. The leaders will announce steps — duly "pre-cooked," of course — to head off further Mexico-style financial crises.

But they will dodge the two most obvious issues that cry out for attention — currency instability and the huge threat to the world trading system posed by unilateral U.S. sanctions against Japan.

Last year's promise of a radical review of international economic and financial decision-making has also predictably fizzled out. While there will be some tinkering with the International Monetary Fund and the World Bank, here too, the leaders will duck the most pressing challenge: to reform the G-7 itself.

It is not that difficult. There is no shortage of good suggestions for making the G-7 more effective and more representative of today's world. Only the leaders seem unable to grasp what almost everyone else knows, that with the end of the Cold War and the birth of the global economy, the old G-7 is being overtaken by events.

It is high time the leaders shook off their inertia, took a good look at their own nakedness, and really "took control of the summit process."



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CURRENCY & INTEREST RATES

Cross Rates										Eurocurrency Deposits									
	£	DM	FF	LY	JPY	S.F.	Yen	CS	Peso		1 month	3 months	6 months	1 year	1 month	3 months	6 months	1 year	
Australian	1.57	1.11	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
Belgium	20.36	16.65	16.65	16.65	16.65	16.65	16.65	16.65	16.65	6 months	5.00	4.75	4.50	4.25	1 year	5.00	4.75	4.50	4.25
Canada	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
France	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	6 months	5.00	4.75	4.50	4.25	1 year	5.00	4.75	4.50	4.25
Germany	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
Italy	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	6 months	5.00	4.75	4.50	4.25	1 year	5.00	4.75	4.50	4.25
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
Spain	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	6 months	5.00	4.75	4.50	4.25	1 year	5.00	4.75	4.50	4.25
Switzerland	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	6 months	5.00	4.75	4.50	4.25	1 year	5.00	4.75	4.50	4.25
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1 month	5.00	4.75	4.50	4.25	3 months	5.00	4.75	4.50	4.25
Other Dollar Values										Key Money Rates									
	£	DM	FF	LY	JPY	S.F.	Yen	CS	Peso		1 month	3 months	6 months	1 year	1 month	3 months	6 months	1 year	
Australia	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	Close Prev	1.00	0.99	0.98	0.97	1 month	1.00	0.99	0.98	0.97
Canada	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	Discount rate	1.00	0.99	0.98	0.97	3 months	1.00	0.99	0.98	0.97
France	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	Federal funds	1.00	0.99	0.98	0.97	6 months	1.00	0.99	0.98	0.97
Germany	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	Money market	1.00	0.99	0.98	0.97	1 year	1.00	0.99	0.98	0.97
Italy	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	Canada, paper 180 days	1.00	0.99	0.98	0.97	1 month	1.00	0.99	0.98	0.97
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3-month Treasury bill	1.00	0.99	0.98	0.97	3 months	1.00	0.99	0.98	0.97
Spain	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1-year Treasury bill	1.00	0.99	0.98	0.97	6 months	1.00	0.99	0.98	0.97
Switzerland	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	2-year Treasury note	1.00	0.99	0.98	0.97	1 year	1.00	0.99	0.98	0.97
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3-year Treasury note	1.00	0.99	0.98	0.97	3 years	1.00	0.99	0.98	0.97
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	4-year Treasury note	1.00	0.99	0.98	0.97	4 years	1.00	0.99	0.98	0.97
Eurocurrency Deposits										Key Money Rates									
	£	DM	FF	LY	JPY	S.F.	Yen	CS	Peso		1 month	3 months	6 months	1 year	1 month	3 months	6 months	1 year	
Australia	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	Close Prev	1.00	0.99	0.98	0.97	1 month	1.00	0.99	0.98	0.97
Canada	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	Discount rate	1.00	0.99	0.98	0.97	3 months	1.00	0.99	0.98	0.97
France	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	Federal funds	1.00	0.99	0.98	0.97	6 months	1.00	0.99	0.98	0.97
Germany	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	Money market	1.00	0.99	0.98	0.97	1 year	1.00	0.99	0.98	0.97
Italy	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	Canada, paper 180 days	1.00	0.99	0.98	0.97	1 month	1.00	0.99	0.98	0.97
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3-month Treasury bill	1.00	0.99	0.98	0.97	3 months	1.00	0.99	0.98	0.97
Spain	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1-year Treasury bill	1.00	0.99	0.98	0.97	6 months	1.00	0.99	0.98	0.97
Switzerland	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	2-year Treasury note	1.00	0.99	0.98	0.97	1 year	1.00	0.99	0.98	0.97
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3-year Treasury note	1.00	0.99	0.98	0.97	3 years	1.00	0.99	0.98	0.97
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	4-year Treasury note	1.00	0.99	0.98	0.97	4 years	1.00	0.99	0.98	0.97

Nationwide prices, not reflecting late trades elsewhere.
The Associated Press.

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Japan's Insurers Blame the Market For Weak Results

Bloomberg Business News

TOKYO — Japan's eight largest insurers said Monday that falling stocks and past promises to pay policyholders high returns were the reasons for slowing asset growth in their latest financial year.

"Our insurance business was in good shape, but we suffered unexpectedly big damage on asset management," said Azuma Ono, a managing director at Chiyoda Life Insurance Co.

The insurers said their aggregate premium incomes rose just 0.09 percent, to 22.47 trillion yen (\$266 billion), in the year ended March 31, attributing the feeble growth to an increase in policy rates and slowing economic growth.

Investment returns were also weak. Average investment yields for the eight companies ranged from 1.31 percent at Chiyoda to 3.32 percent at Yasuda Life Insurance Co. Half the companies saw returns of under 3 percent, compared with roughly 5 percent they had forecast.

Because the life insurance companies do not issue stock, they are not required to report profits. Traders and investors, however, pay attention to any financial details that the insurers divulge.

One reason is that what life insurers do with their money is

important to other Japanese investors. The 27 companies control about 170 trillion yen in assets, making them the biggest bloc of capital after Japan's 125 million citizens. Together they own roughly 14 percent of the stock of corporate Japan.

Moreover, traders and investors have been watching insurers closely since they sold 340 billion yen worth of stock in May — twice as much as in any single month before. Most of that stock, analysts say, was sold by the eight large life insurers.

Some analysts are afraid the insurers' exodus from the stock market will continue. "It just seems that the insurance firms in particular have gotten it into their heads that they shouldn't be in the stock market at this time and are leaving regardless of the level," said Mark Baxter, vice president of equity derivative products at the investment house CS First Boston.

Other analysts say that the eight largest life insurers — Chiyoda and Yasuda plus Dai-ichi Life Insurance Co., Sumitomo Life Insurance Co., Meiji Mutual Life Insurance, Nippon Life Insurance Co., Asahi Life Insurance Co. and Mitsui Life Insurance Co. — have good reason to get out. All saw the value of their stock portfolios shrink over the year.

A Trade Battle for Kodak Crusading Chairman Takes on Fuji Film

By John Holusha
New York Times Service

ROCHESTER, New York — George M.C. Fisher, the chairman of Eastman Kodak Co., is not the first American executive to argue that Japan has its competitive playing field. He may not even be the most vociferous. But he certainly is persistent.

A decade after he challenged Japan's control of its market in papers and cellular telephones while chairman of Motorola Inc., he is at it again.

Last year, he won a product-dumping action against Fuji Photo Film Co. that has all but driven Fuji's color-print paper out of the U.S. market.

More recently, he filed a complaint with U.S. trade officials accusing the Japanese government of conspiring with Fuji to protect 70 percent of the consumer photo-film and paper market in Japan from competition.

As a result, Kodak asserts, Fuji has amassed a \$10 billion war chest that it uses to subsidize efforts to bolster exports. It says this "profit siphoning" gives Fuji an unfair advantage under international trading rules because it allows the company to undersell Kodak in other markets.

Kodak seeks an investiga-

tion by the U.S. trade representative's office under a section of the 1974 trade law that empowers the government to investigate assertions of unfair practices, negotiate with other governments if trade barriers are uncovered and take retaliatory action if such talks fail.

The trade office has until July 2 to decide whether to take Kodak's case.

Mr. Fisher's fight involves a far smaller slice of bilateral trade than the continuing fight between Japan and the United States over automobiles — the profits involved are measured in hundreds of millions of dollars, rather than billions, annually. Negotiations in the automotive dispute resumed Monday in Geneva.

His line of attack on the photo market is similar to the one he used at Motorola in the 1980s.

Back then, he first argued that Japanese companies were dumping papers and cellular telephones at artificially low prices. Later, he persuaded Japanese government ministers to allocate radio frequencies so that Motorola's cellular telephone system could operate between Tokyo and Nagoya, Japan.

For Kodak, the market of the future in both Japan and the United States is digital imagery — electronic photo-

graphs that can be stored on compact and floppy disks and manipulated and transmitted with a few keystrokes.

As the company makes this change from its roots in chemical imaging, Mr. Fisher has formed alliances with companies such as Microsoft Corp., Sun Microsystems Inc. and International Business Machines Corp.

But chemical film and other photographic products still pay the bills. Mr. Fisher said that because Kodak has been held to less than 10 percent of the consumer-products market in Japan, compared with more than 40 percent in Europe, it is being deprived of resources that it needs to develop those future products.

Representatives of Fuji in the United States have denied that the parent company has engaged in restraint of trade.

But they said it might be some time before they could present a detailed response. Japanese officials assert that Kodak dominates the U.S. market as completely as Fuji dominates Japan's.

According to statistics compiled in Japan, Kodak has a 10 percent share of the market there, while Fuji dominates with a 70 percent share. In the United States, the ratio reverses: Kodak holds a 71 percent share, while Fuji holds just 12 percent.

China Acts To Control Land Use

Knight-Ridder

BEIJING — The Ministry of Construction has issued regulations to cool the country's "development zone fever," the official China Daily reported Monday.

Under the regulations, plans for the zones, which have mushroomed in recent years, must be included in the overall construction plans of cities.

Starting July 1, new zones must win the approval of urban planning departments to ensure that they conform with the City Planning Act in terms of the site, the way the land is to be used and the density and height of buildings.

Zou Shuang, director of the ministry's Urban Planning Department, said too many development zones had been built in China, especially since 1992, and that this "fever" must be brought under control.

In 1984, Beijing approved the first economic and technological development zones in 14 coastal cities, offering investors preferential terms.

Since then, thousands of zones have shot up around the country, many of them built without feasibility studies or proper planning, Mr. Zou said, causing a huge waste of land and funds.

Currently, 122 development zones have been approved by the state, with the large majority of the rest set up by lower levels of government.

Thousands of zones now cover close to 10,000 square kilometers of land, an area larger than that of all the nation's cities combined, the China Daily said.

The English-language newspaper said the zones had played a significant role in attracting foreign funds, management techniques and technology. But both their number and size have been larger than necessary, it said.

Many have been built without careful feasibility studies and planning, Mr. Zou said.

Mr. Zou blamed the situation on local government officials.

Investor's Asia				
Exchange	Index	Monday Close	Friday Close	% Change
Hong Kong	Hong Kong	9,121.45	9,287.62	-1.58
Singapore	Strait Times	2,140.72	2,180.44	-0.81
Sydney	All Ordinaries	Closed	1,984.50	
Tokyo	Nikkei 225	14,812.48	15,044.18	-1.59
Kuala Lumpur	Composite	1,042.84	1,054.36	-1.11
Bangkok	SET	1,375.02	1,384.50	-0.68
Seoul	Composite Index	884.40	886.98	-0.27
Manila	Stock Market Index	5,600.94	5,600.79	+0.20
Jakarta	PSX	Closed	2,632.77	
Wellington	NZSE-40	2,078.88	2,082.24	-0.33
Bombay	Sensitive Index	9,516.57	9,538.05	-0.04

Source: Reuters

Very briefly:

- Mitsubishi Chemical Corp. said pretax profit for the year to March 31 rose to 16.30 billion yen (\$192.3 million) from 2.69 billion yen a year earlier. Net profit was 3.04 billion yen, reversing a loss of 2.91 billion yen; sales rose 24 percent, to 1.34 trillion yen.
- NEC Corp. raised its forecast for domestic shipments of personal computers in the current year to 2.8 million units from 2.3 million; the company shipped 1.81 million units last year.
- Cheung Kong (Holdings) Ltd. sold about 1,000 apartments over the weekend for an average of 2,115 Hong Kong dollars (\$273) a square foot (about \$3,000 a square meter) at its Kingswood Villas development in Hong Kong's New Territories. Analysts said the sale indicated that prices had bottomed out.
- Citicorp, China Everbright International Ltd. and a subsidiary of the Brunei Investment Agency launched a \$102 million closed-end investment fund specializing in China.
- China will reduce its so-called favorable import tariff rate on minibuses to 100 percent on July 1 from 180 percent and will cut the rate on blank video tapes to 50 percent from 85 percent.
- Taiwan approved \$394.1 million of investment in China in January through May, a 6 percent rise from a year earlier; it also approved \$832.8 million in investment by foreigners in Taiwan during the period, an 82 percent jump.
- Berger International Inc. and De Leuw Crater International Ltd. won a contract to supervise the reconstruction of Highway 1 in Vietnam; the U.S. companies will oversee a \$320 million project to widen and repave 435 kilometers (270 miles) of the road.
- Malaysian unit-trust funds had a net asset value of 35.7 billion ringgit (\$14.62 billion) in 1994, compared with 28.1 billion ringgit in 1993. Finance Minister Anwar Ibrahim said the funds accounted for 7 percent of the market capitalization of the Kuala Lumpur Stock Exchange.

AP, Bloomberg, Knight-Ridder

Tokyo Says It Has No Plans To Support Equity Prices

Compiled by Our Staff From Dispatches

TOKYO — Despite a sliding stock market and a call from a major industrialist for an interest-rate cut, Japan said Monday that it had no plans to support weak equity prices.

Kyosuke Shinzawa, Japan's vice finance minister, said he hoped financial markets would see the ministry's program to address Japanese banks' nonperforming loans as a step to revive the economy. The program, announced Thursday, was seen by analysts as an attempt to restore confidence in the markets.

But traders said the package, which included conditional use of Bank of Japan funds to rescue ailing financial institutions, included few effective measures and disappointed investors.

Japanese stocks fell Monday amid growing concern that the economy might be slipping back into recession. The benchmark Nikkei Stock Average fell 1.53 percent, to close at 14,812.48. The index fell 2.58 percent Friday.

Shoichiro Toyoda, chairman of Toyota Motor Corp. and of Japan's Federation of Economic Organizations, called on the government to take all possible economic stimulus measures, including a further cut in the official discount rate, the Kyodo news agency reported.

"A cut in the official discount rate and all other possible measures have to be taken to prop up the economy," he said. The Bank of Japan has already brought down its key lending rate to an all-time low of 1.0 percent.

Industrial Bank of Japan Ltd., a commercial bank, separately said it would cut its long-term prime rate to another record low of 3.1 percent, from 3.6 percent, as of Wednesday. Other long-term credit banks are expected to follow suit.

(Bloomberg, Knight-Ridder, AFP, AFX)

Auto Parts: Prying Hard to Sell in Japan

Bloomberg Business News

TOKYO — When asked why foreign companies have such a small share of Japan's auto-parts market, trade officials here often say the companies just are not trying hard enough; the experience of AMP Inc. seems to indicate otherwise.

AMP fought for almost two years to get a part smaller than a sunflower seed into Toyota Motor Co.'s cars. The fight took 10 engineers, 10 salespeople and three quality-control experts the better part of that time.

The company, which has been in Japan since 1957, has been selling comparable parts to Toyota for 20 years.

AMP makes the tiny electric jacks that join thousands of wires connecting, for example, a car's tail lights to the battery. An average sedan uses 3,600 of these parts, which cost about one cent each.

AMP spent four months going through a battery of tests. Sample jacks, called contacts, were tested at AMP's expense for durability, conductivity and quality. Reams of data were analyzed, translated and handed over to Toyota.

About every other week for the next 18 months, Toyota met with AMP executives in Japan. Each time, Toyota had a new list of questions.

"In the States, you know what to expect," said a manager at AMP Japan Inc. Here, it changes. It's never the same. The questions

change. It seems like there's bottleneck after bottleneck."

Japanese manufacturers say such rigorous testing is standard for domestic suppliers as well as foreign companies.

"Where the shock or frustration comes is in the cultural differences in standards," said Steven Berkov, a Toyota executive. "Japanese suppliers are just used to it. When other companies hear what we expect, it seems ridiculous."

Remarkably, executives at AMP and other foreign suppliers see rigorous testing, red tape and negotiation as minor problems.

By far the biggest barrier they face, the say, is the *keiretsu* system, an entrenched network of manufacturers, parts suppliers, dealers and financiers that make up Japan's auto industry.

Competing with those bonds of cooperation, trust and mutual shareholding, forged as Japan battled to build a world-class auto industry, will take a long time.

Despite the difficulties, U.S. companies are slowly increasing their sales in Japan. The value of U.S. parts exported to Japan rose 22.1 percent last year, to \$436 million. More than 1,200 U.S. companies are doing business here, a fourfold increase since 1986.

Still, imported parts account for a mere 2.4 percent of Japan's \$107 billion auto-parts market. In the \$122 billion U.S. parts market, imported components account for 33 percent of sales.

Showa Line Stock Bounces Back Critic of Beijing Will Launch Paper

Bloomberg Business News

TOKYO — Stock in Showa Line Ltd. rebounded Monday after the company acted to quiet speculation that its debt would cause it to sink into bankruptcy.

Speculation about the shipping company's fortunes caused its share price to drop to 81 yen (96 cents) from 154 by the end of last week. The shares rose 11 Monday.

An accounting move to include a healthy affiliate in its books allowed Showa to raise shareholder equity to 3.8 billion yen from 1.6 billion yen, analysts said, but the company's debt is still 32 times its equity.

HONG KONG — The crusading publisher Jimmy Lai plans to launch a daily newspaper on June 20 and to sell shares in his company on the Hong Kong stock exchange.

The chairman and founder of Next Media Group said he had spent \$100 million to set up the Chinese-language Apple Daily because a cartel of newspaper publishers in the colony was keeping newspaper prices high and suppressing criticism of Beijing ahead of the transfer of the British colony to China in 1997.

"We will take a very firm stand on China," Mr. Lai said.

Mr. Lai stepped down as chairman of his clothing company, Giordano Holdings Ltd., last year after he blamed the Chinese prime minister, Li Peng, for the massacre near Tiananmen Square in 1989, and China closed its flagship store in Beijing in retaliation.

Next Media was on the verge of a listing in Hong Kong when he attacked Mr. Li in a magazine column, but its underwriters pulled out.

James Miles, an analyst at Asia Equities, said, "Apple Daily threatens to undermine the status quo."

He said the paper's decision to set its price independently and to not have a full front-page advertisement, a break from tradition here, will put pressure on the colony's 20 Chinese-language papers, already struggling with falling advertising revenues and rising newspaper prices.

A dummy copy of the paper produced last week looked a bit like USA Today, on which Mr. Lai says it is modeled. The front page included stories on a property auction and maids who it said had been forced into prostitution by loan sharks.

While Mr. Lai said he refused to join the cartel that set newspaper prices, his paper's cover price is actually the same as that of most competitors.

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MR. CATRANIS, SENIOR CURRENCY EDUCATOR

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SPORTS

Miracles Must Continue For English and French

By Ian Thomsen
International Herald Tribune

CAPE TOWN — With thanks to a couple of practiced miracles, England and France are one game away from meeting in the Rugby World Cup final. They carry European underdog hopes to the semifinals next weekend, but what makes them dangerous is their magic.

Once they've come down from a two-day respite in Sun City, the English will spend this week convincing themselves that the fantasy of Rob Andrew's winning 40-meter drop goal Sunday against Australia was in fact an expression of team character. That character will be their strength against New Zealand. England will seek to play the tight game, soaking up the punishment, trying to do to the relentless All Blacks what Muhammad Ali did once to George Foreman. The English will hope to absorb all that the meteoric Jonah Lomu can throw at them, frustrating him and emphasizing that the All Blacks' confidence has been beefed up against dark horses and no-hopers.

New Zealand's coach, Laurie Mains, began working on that line Sunday after the 48-30 quarterfinal victory over Scotland when he said, "I don't doubt that we'll go into the semifinal as underdogs. Their pack is a pretty awesome unit. If you look at the game out here today and the game in Cape Town, people would be saying that we won't give them too much trouble. We've got a lot of mental work to tidy up our game."

In fact, the All Blacks will be favored, but he doesn't want them to be shocked and mired in doubt should they find things flowing not so smoothly against the disciplined English. In their first match of real pressure, how will the All Blacks react once they find England tackling harder and more relentlessly than Scotland, Ireland or Japan?

Despite their physical disadvantages, those teams score eight tries against

New Zealand — with five punched through by forwards. If it's a tight semifinal, will the All Blacks prove to be tight enough? Maybe they will, maybe they won't, but for sure such questions will eclipse the point-spreads. Mains admits that his team's style is necessarily risky.

"But none needed to be conceded," he said of Scotland's three tries. "It all boils down to individuals not sticking to their game plan. They are playing other patterns and therefore creating scoring opportunities for the opposition because the rest of our team don't know what's going on. I guess we've got a lot of work to do to tidy up our game to be competitive against the English."

Of course, it's not as bad as he would paint it, either. Though Australia wasn't up to its 1991 level, it still overcame a 13-3 England advantage and even held the lead late in the game before faltering, 25-22. As for the All Blacks, they had their match in hand with 28 points in the first seven minutes of the second half. The outcome was already settled when Scotland responded.

"You're playing very physical, intense, high-pressure rugby," warned captain Gavin Hastings after his final Test for Scotland. "Unless you play the basics right, unless you really play to the best of your ability, then mistakes will happen, and when mistakes happen tries get scored."

In its 36-12 quarterfinal defeat of Ireland on Saturday, France seemed a more relaxed and confident team than the one that beat Scotland a week earlier on a last-play try. For the Europeans, the idea of stealing the World Cup on the hard southern soil might seem futile; but then France can always recall its pair of historic Test victories in New Zealand last year.

Meanwhile, the frenzy of challenging for the world championship just three years after its return to international play seems to be unraveling the South Africans. First there was the brawl



Jonah Lomu, who shredded the Scots, will be England's biggest problem.

against Canada, resulting in the suspension of two starters; now there are the worst kind of charges from the Western Samoan captain, of racist taunts Saturday by the mainly African opponents during South Africa's 42-14 victory. The Samoan, Pat Lam, declined to elaborate, leaving the Springboks to deny the vague charges, understanding that they have little international credibility in such issues.

It was another violent game with referee slow to react to late hits by the Samoans, and Joost van der Westhuizen — at the center of the Samoan complaints — was seen exchanging words with them.

"When the game was almost over and we were so far ahead, why the hell would I do something so stupid?" Van der Westhuizen said. It also mounted more pressure on

wing Chester Williams, whose presence while scoring a record four tries Saturday was used as flimsy response to the even flimsier charges. Perhaps Williams would be a better spokesman for the "One Team, One Country" Springboks if he and his actions were allowed to speak for themselves. After the heat has passed, one wonders how he will look back on the role he has assumed during this tournament.

Samoan fullback Mike Umaga was suspended for 90 days Monday by the World Cup disciplinary commission for his tackle that broke the finger of South Africa's Andre Joubert. Joubert, among the world's best fullbacks, was "70 percent confident" of playing against France after undergoing surgery Saturday night.

South Africa's other six injured players are expected to be ready then.

White Lights Up the Expos

6 Hits, 5 Runs and 3 RBIs Overcome Giants

The Associated Press

After his first trip to the plate, Rondell White had a hint. But he couldn't foresee just how well the game would turn out. "Once I get a hit in my first at-bat, I know I'm going to have a good game," the 23-year-old center fielder for the Montreal Expos said. "When I get in a streak, I do pretty well."

Against the San Francisco Giants on Sunday, "pretty well" was an understatement. White led off the second inning with a single. By the time the Expos had outlasted the Giants, 10-8, in 13 innings, White was 6 for 7, setting a Montreal record for hits. And in becoming the team's fourth player to hit for the cycle, he also scored five runs, drove in three and stole a base.

"We've been bragging about him, even before he was playing regularly," said the Expos' manager, Felipe Alou. "He's got a devastating swing."

White, after his second-inning single, led off the fourth with a homer, hit a two-run double in the fifth, led off the seventh with a double, singled with one out in the 11th, then tripled with two outs in the 13th.

The Giants stopped him only once, when he made the first out with a pop-up in the ninth.

After White's triple in the

13th, Tony Tarasco was walked intentionally before Tim Laker tripled both home, snapping an 8-8 tie and giving the Expos a three-game sweep at Candlestick Park for the first time since August 1984.

White was 11 for 16 and scored 10 runs in the weekend

NL ROUNDUP

sweep, which saw Montreal outscore the Giants by 30-16.

But White wasn't the only player with a hot bat. His teammate Darrin Fletcher got four hits, one a homer, and drove in five runs Sunday, while Mike Benjamin got four hits, stole two bases and scored three times for the Giants, who have lost four straight.

Pirates 4, Marlins 3: Ninth-inning doubles by Mark Johnson and Nelson Lirio gave Pittsburgh its victory at Florida after relievers Dan Plesac and Dan Miceli frittered away a 3-1 lead in the eighth.

Phillies 2, Dodgers 1: Heathcliff Stubbins struck out Carlos Hernandez with the bases loaded in the bottom of the ninth to preserve Philadelphia's victory in Los Angeles.

The Phillies scored in the sixth on three two-out singles, the last by Lenny Webster. The Dodgers' Mickey Morandini doubled in the seventh and

scored on Mariano Duncan's single.

Padres 6, Mets 3: Brian Johnson's three-run, ninth-inning homer gave San Diego a sweep of its three-game series against visiting New York.

The Padres came from behind for the third straight game, the fifth time on the nine-game homestand and for the 11th time this season.

Reds 3, Astros 2: Ron Gant homered with one out in the fourth as Cincinnati completed a four-game series sweep. Its first in Houston since 1972.

Gant drove a 3-2 pitch from Todd Jones into the left-field seats for his 12th homer of the year — and fifth against the Astros.

In earlier games, reported in some Monday editions:

Cardinals 8, Braves 4: Bernard Gilkey had four hits and scored three runs to lead St. Louis over Atlanta. Gilkey doubled and hit three singles in his eighth four-hit game in the majors, and walked, stole two bases, drove in a run and made a diving catch to rob Marquis of an extra-base hit in the first inning.

Rockies 5, Cubs 1: Dante Bichette extended his hitting streak to a club-record 17 games, with his RBI double the highlight of a three-run third, as Colorado won in Chicago.

Belle Cleans Up at Long Last

The Associated Press

There is more bad news for the American League: Cleveland's cleanup batter is starting to clean up.

Albert Belle got three doubles, tied a career high mark with four hits and drove in three runs Sunday as the Indians beat the Brewers, 11-5, in Milwaukee and improved the major leagues' top record to 30-11 with the best start in the club's 94-year history.

Belle went 9-for-16 with five doubles, a home run and nine RBIs and raised his batting average to .311 as the Indians beat the Brewers three times in four days.

Cleveland's manager, Mike Hargrove, said Belle stopped overswinging when the Indians got to County Stadium on Thursday night.

"I think he was trying to hit the ball too hard," Hargrove said. "Here in the last four or five days, his bat's quickened up, his hands are quicker and he's seeing the ball better. That's good for us and bad for everybody else when that happens."

Jim Thome and Carlos Garcia homered for the Indians, who got 19 hits and atoned for two losses to the Brewers last month at Jacobs Field in their only series loss so far this season.

Royals 3, Blue Jays 2: After David Cone and Mark Gubicza duelled to a tie in the late innings, Jon Nunnally singled home the winning run with two

outs in the 10th in Kansas City. Rangers 3, White Sox 2: Juan Gonzalez homered for the second straight game, a two-run shot in the eighth that gave host Texas its ninth victory in 11 games.

In earlier games, reported in some Monday editions: A's 8, Red Sox 1: Mark McGwire homered in his first three at-bats and tied the major

league record for homers in two straight games, as Oakland won in Boston.

With a chance to tie the big league record for home runs in a game, McGwire struck out swinging at a full-count pitch from Mike Maddux in the eighth and walked on four pitches from rookie Jeff Hanson in the ninth.

McGwire, who homered twice Saturday, became the 15th player in modern history

to hit five home runs in consecutive games. He is the only American League player ever to accomplish the feat twice, while Ralph Kiner did it twice in the National League.

Tigers 8, Twins 2: Detroit's John Flaherty, who began the game with just two homers in 96 at-bats this season, hit two and drove in four runs at the Metrodome.

Angels 5, Orioles 4: Lee Smith got a major league record with seven in 16 consecutive appearances while Rex Hudler homered, doubled and drove in three runs as California won in Baltimore.

Mantle Out of Bed and 'Quite Cheerful'

New York Times Service

DALLAS — Mickey Mantle had recovered enough strength after his liver transplant to hobble a few steps from his bed, one of his doctors said Sunday.

Although he needs support — "He's not ready to dash for a base," said Dr. Goran Kintmalm, medical director of the Baylor Transplant Institute — Mantle could make it to a chair and to the bathroom in his hospital room. He first got out of bed late Saturday and watched some baseball.

Mantle's mood improved as he saw that the worst was over, Kintmalm said at his daily news briefing. "He's actually quite cheerful," the doctor said. "He's finally begun to realize he's through this."

SCOREBOARD

Major League Standings

AMERICAN LEAGUE

East Division

W L Pct GB

Boston 19 22 .463 6B

Baltimore 19 24 .442 7

Detroit 16 24 .400 7 1/2

New York 16 24 .400 7 1/2

Toronto 16 24 .400 7 1/2

Central Division

30 11 .732

Cleveland 22 18 .550 7 1/2

Kansas City 18 23 .439 12

Minneapolis 15 24 .385 14

Chicago 15 24 .385 14

West Division

24 17 .588

California 23 19 .545 2 1/2

Seattle 23 19 .545 2 1/2

Oakland 23 19 .545 2 1/2

NATIONAL LEAGUE

East Division

W L Pct GB

Philadelphia 23 14 .619

Pittsburgh 23 14 .619

Atlanta 23 14 .619

New York 23 14 .619

Florida 23 14 .619

Central Division

22 14 .611

Chicago 22 14 .611

St. Louis 22 14 .611

San Francisco 22 14 .611

Cincinnati 22 14 .611

West Division

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San Diego 23 11 .676

Los Angeles 23 11 .676

Colorado 23 11 .676

Sunday's Line Scores

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PEANUTS

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GARFIELD

HOW DOES IT FEEL TO BE TURNING 17, GARFIELD?

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Herald Tribune
SPORTS

TUESDAY, JUNE 13, 1995

PAGE 23

Red Wings Gain Stanley Cup Final

The Associated Press
DETROIT — Almost Heaven!

After an absence of 29 years, the Detroit Red Wings are back in the final of the National Hockey League's playoffs, with a chance to win their first Stanley Cup championship in 40 years.

Vyacheslav Kozlov's goal 2:25 into the second overtime night game Sunday gave Detroit a 2-1 victory over Chicago, eliminating the Blackhawks in the fifth game of the Western Conference final.

"It feels unbelievable," said Detroit goaltender Mike Vernon.

NHL PLAYOFFS

non. "We've worked hard all season. The guys just stuck to the game plan and kept working away. This was the result right here."

"We advanced to the finals, that's what we've dreamed of and that's what we wanted and it's here."

The winning goal came moments after a shot by Chicago forward Joe Murphy had hit the crossbar behind Vernon.

"The time was now to win," Murphy said in the hushed dressing room. "There's nothing more to say. It's hard to swallow. We all thought we would win. But they won it. They're a good hockey club."

Kozlov, with a pass from Sergei Fedorov, and skated past defenseman Chris Chelios. He put a good fake on Chicago goaltender Ed Belfour, who had been brilliant to that point, then blasted the puck between Belfour's pads.

"As soon as the puck went into the net, it immediately hit me: We're going," said the Red Wings' captain, Steve Yzerman, who tied the score at 1-1 in the second period. "I've always felt that I would get this opportunity someday. I never

doubted that. But there were times that I wondered if it would come in a Detroit uniform."

Detroit last won the championship in 1955. That 40-year drought is longest in the NHL. The second longest belongs to the Blackhawks, who last won the Cup in 1961.

It was the third overtime game of the series. Detroit won all three.

Both goalkeepers were superb. Belfour turned away all but two of 47 shots; Vernon faced 26 shots.

"It's tough to get this far and not be able to go all the way," said Chicago center Denis Savard, who scored a first-period goal. "The bottom line is to get W's and we didn't get them. They won, and they deserved it."

Belfour, who hurried out of Joe Louis Arena without speaking to reporters, put on a virtuoso performance in the second period, despite giving up the goal that tied the score.

The Red Wings might have blown the game wide open had it not been for Belfour's spectacular play. The Red Wings outshot Chicago, 20-2, in the period, with five shots during a 1:40 span early on while they had a two-man advantage.

At 8:41, Belfour scrambled to get his glove on a shot by Keith Primeau just before it crossed the goal line. But his most spectacular save came at 10:54 when, stretched out to the limit, he dove through the air to his left to glove a shot by Fedorov that appeared to be going over the goal line.

"We couldn't believe the show he put on tonight," Detroit defenseman Paul Coffey said.

Yzerman's third playoff goal, from the top of the left circle at 11:36 of the second period, finally came on the Red Wings' 18th shot of the period.

Rockets Flip to Warp Speed as They Zip Toward 2d Title

Horry Steps Forward and Magic Drop Back to 0-3

By Richard Justice

Washington Post Service



Anfernee Hardaway missed, Sam Cassell buried him and the Rockets' coach, Rudy Tomjanovich, leaped to embrace a so-far unbeatable 3-0 series lead.

HOUSTON — The Orlando Magic answered the questions about courage and character, about dealing with pressure and playing their best under the most difficult circumstances. All they failed to do was overcome the most remarkable basketball team in the world, the one that has taken the strangest route to a championship series and has shown again and again in the past month that it has its own endless reserves of courage and heart.

Hakeem Olajuwon and Clyde Drexler again played excellent games, but the Houston Rockets, who seem to find a different hero every five minutes, found another Sunday night in forward Robert Horry. His 3-pointer with the shot clock winding down and 14.1 seconds left in the game was the single biggest play that allowed the Rockets to defeat the Magic, 106-103, in Game 3 of the National Basketball Association's championship series.

Now leading this best-of-seven series by 3-0, the Rockets will go for the clincher here Wednesday night. No NBA team has won a playoff series after trailing by 3-0, and if the Rockets don't get their second straight title in Game 4, they'll have another home game on Friday in which to do it.

"It's not over yet," said Orlando center Shaquille O'Neal. "We've gone down to the wire in all the games. We just have to get that first win and go from there. We can't give up just yet."

But Horry put the Magic on the brink of vacation on a night when both teams played at a high level. After losing two games at home last week, the Magic walked on to the court in front of a roaring, hostile audience and outplayed the Rockets for much of the game.

"Tonight's game was a tough one from beginning to end," Olajuwon said. "It was a true championship game. We were fortunate

and blessed to make the big shots at the end when it counts."

The Rockets did a credible job on O'Neal, but he got 28 points and 10 rebounds. Anfernee Hardaway also played well, with 19 points and 14 assists, and Horace Grant got 18 points and 10 rebounds.

But unlike Houston, Orlando didn't get enough help from its supporting cast. Forward Dennis Scott got good shots for much of the game but missed 9 of 11. Nick Anderson was no better, going 4 for 10. Those two were 5 of 21 from 3-point range.

Had Scott or Anderson played well, the Magic might have won, and they came close anyway. Then

NBA PLAYOFFS

again, the Rockets probably would have found another way to win.

They had the sixth-best record in the Western Conference at the end of the regular season, haven't had the home-court advantage in a single playoff series and yet continue to win. They've already knocked off the NBA's three winningest regular-season teams — San Antonio, Utah and Phoenix — and are a victory away from disposing of the fourth.

"I'm surprised," Olajuwon said, "but you have to believe some things are beyond human explanation. We will give teams next year hope that the regular season record doesn't matter. If you play together as a team, you can do anything."

He led the Rockets with 31 points and 14 rebounds, while Drexler led a terrific fast-break game with 25 points, 13 rebounds and 7 assists. His ability to rebound and push the ball up the floor gave the Rockets a big edge in fast break points, 27-8. The Rockets also out-rebounded the bigger Magic, 46-41.

Still it came down to a few plays, and in the final two minutes Houston was the better team. The first spectacular play came

from Drexler, who grabbed a miss by O'Neal and finished an end-to-end break with a dazzling dunk that gave Houston a 98-94 lead with 1:46 left.

He was called for a delay-of-game technical foul for inadvertently spiking the ball, and Scott's foul shot made it 98-95. But O'Neal missed a short hook that could have left Orlando only one down, and Drexler scored down low against Anderson to make it 100-95 with 1:12 left.

Orlando answered with a 3-pointer from Anderson. Horry made one of two free throws for a 101-98 lead with 47 seconds left. Grant made it 101-100 with 35.7 seconds left and the Rockets worked the 24-second shot clock down, then got the ball to Olajuwon.

He was covered by O'Neal and Hardaway and passed to Horry at the top of the key. Grant sprinted toward him, but Horry had time to get the rainbow jumper off over the oncoming outstretched hand, scoring with four seconds left on the shot clock and 14.1 seconds left in the game.

"I hesitated on a shot early in the game, it messed up the flow of our offense," said Horry, who scored 11 of his 20 points in the fourth quarter. "Sam spoke to me and Dream (Olajuwon) spoke to me. One time he told me just to shoot the 3 because I was passing up shots and trying to penetrate and that isn't my game."

From that point, Orlando needed a miracle, and almost got one when Anderson threw in a 31-footer to make it 105-103 with 2.7 seconds left. Houston inbounded the ball and the Magic fouled Cassell, who missed his first foul shot, but sank the second. The game ended with Hardaway missing a 3-pointer.

"Despite the loss, I was much happier with our team's play," said Orlando's coach, Brian Hill said. "Give credit to them."

Devils Take 3-2 Lead in East

Lemieux Shot With Seconds Left Beats Flyers

By Alex Yannis

New York Times Service

PHILADELPHIA — The New Jersey Devils' defense was back in top form, Martin Brodeur was again stopping the shots he was supposed to stop, and yet there were the Devils, less than a minute from overtime against a team that is undefeated in sudden-death games during the playoffs.

And just as it was beginning to appear that the potentially pivotal fifth game of the Eastern Conference final could come down to a lucky break, the Devils created one.

Claude Lemieux got to a loose puck in the Devils' zone, skated down the right flank and unleashed a shot the moment he entered the Flyers' zone. The puck rocketed toward the left side of the net and shot past Ron Hextall for the game-winning goal with 44.2 seconds left.

It gave the Devils a 3-2 triumph and sent them home to

Byrne Meadowlands Arena for Game 6 on Tuesday night needing just one victory to play in their first Stanley Cup final.

It is not the first time the Devils have been in that position, though. Last season, they went into Madison Square Garden and beat the New York Rangers in Game 5 to take a 3-2 lead in that best-of-seven series, only to lose Game 6 in New Jersey before bowing out in double overtime in the seventh game.

In the first two periods Sunday, the Devils redeemed themselves more than adequately for the two losses in New Jersey. They picked up where they left off when they won the first two games of the series at the Spectrum by dominating action before the last session.

They limited the Flyers to four shots in each of the first two periods while taking 21 against Hextall, who started under the worst possible circum-

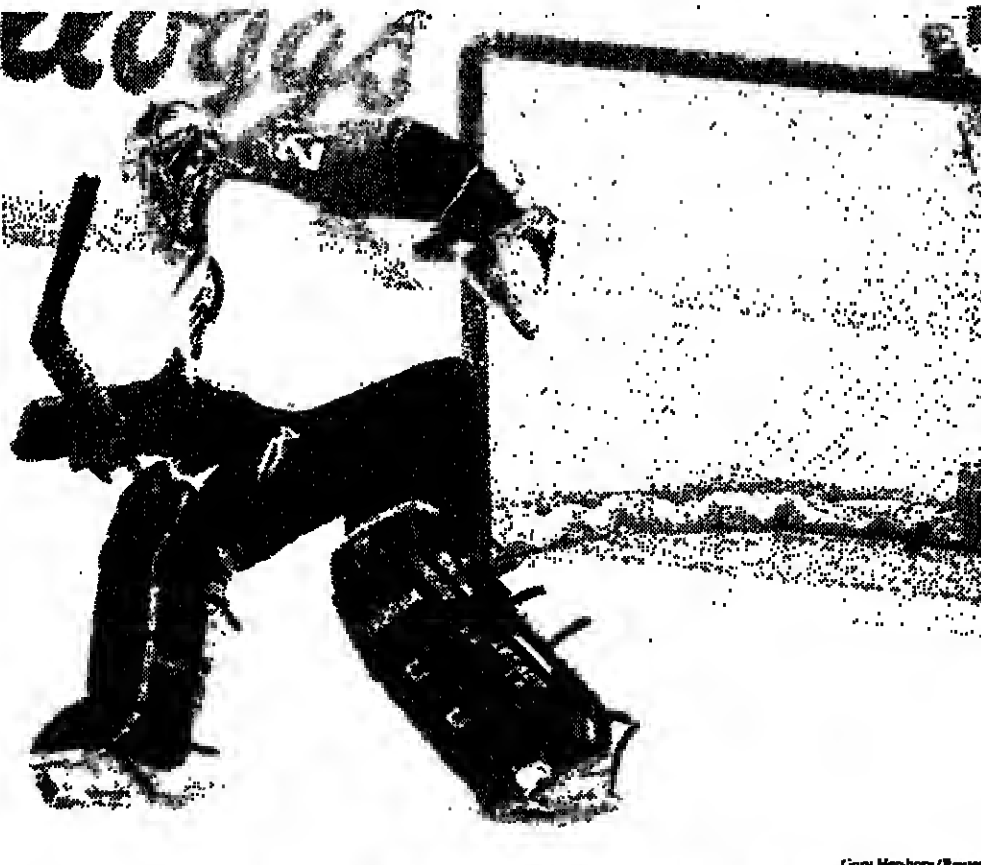
stances again by allowing a goal on the first shot he faced. This time it was John MacLean who beat Hextall, 3 minutes, 42 seconds after the opening faceoff.

Kevin Dineen tied it for the Flyers with his first of two goals, when Dmitri Yushkevich's shot from high in the slot hit Dineen's left leg before it ricocheted behind Brodeur, who faced a total of 18 shots.

After Bobby Carpenter put the Devils ahead with his first in the playoffs with 2:43 left in the first, they held control until Dineen scored on the ninth shot in the game for the Flyers, 3:13 into the last period to tie the game.

The Flyers played the Devils on equal terms the rest of the way after Dineen's second goal, until Lemieux sent the Spectrum into total silence with his 10th of the playoffs.

"I should have stopped it," Hextall said. "I've got no excuse."



Ron Hextall and his Flyers went down as Claude Lemieux's shot flew past.

SIDELINES

Janzen Win U.S. Golf Tournament

POTOMAC, Maryland (AP) — Lee Janzen had the only bogey-free round of the afternoon, then made a 12-foot birdie putt on the first playoff hole Sunday to beat Corey Pavin in the Kemper Open. Pavin bogeyed the playoff hole, a typical occurrence in a final round peppered with bogeys and double-bogeys. For instance: Davis Love III missed getting into the playoff with bogey on No. 17 and double-bogey on No. 18; Greg Norman fell from contention with a double-bogey on No. 17, and Payne Stewart, who started the day one shot back, had two double-bogeys.

• The British bookmakers Ladbrokes made Norman the 9-1 favorite to win the U.S. Open that starts Thursday, with Nick Faldo and Nick Price both at 11-1.

For the Record

An IAAF arbitration panel has upheld a four-year ban imposed on Dutch discus thrower Eric de Bruin, who tested positive for testosterone and a related drug in August 1993.

Sylvia Gerasch of Germany, former world champion, failed to persuade FINA to reduce her two-year drug ban and allow her to defend her 100-breaststroke title at the European championships in August.

Lindsey Nelson, 76, the sportscaster whose soothing voice and brazen sports jackets were fixtures for generations of U.S. baseball and college football fans, died in Atlanta of complications from Parkinson's disease and pneumonia.

Quotable

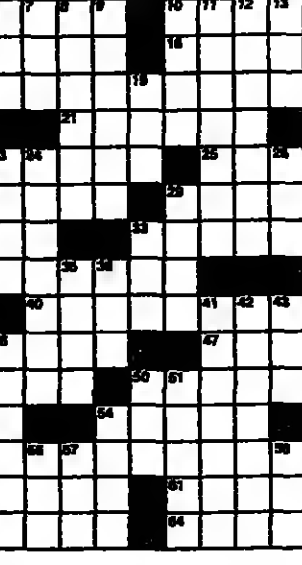
The Sydney Morning Herald, commenting on Australia's defeat in the Rugby World Cup: "They (the players) were forced to endure countless hurdles, with the Super League saga one of many, many distractions as players became giddy and disoriented coping with reports that they were about to sign for millions."

CROSSWORD

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14 Oxford, for one
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trouper



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Solutions to Puzzle of June 12

DANTE AGHI AGHI
ORIEL BRAB WHIG
WATHERHOON HANA
EBS DEO MERTED
TIERS MINTS
MARGED AVERAGE
INCAS SHANG RHO
STAN RATTI EBAN
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TREASAM HOKERS
TEASE TRACT
BARROE IRA IGE
LUGE TATTERSALL
OPUS ELITE TOGAS
WENY DAMS SITONE

Netherlands and Belgium to Host Euro 2000 Championships

The Associated Press

NYON, Switzerland — The Netherlands and Belgium are set to be the first joint hosts of the European Championship soccer finals, in the year 2000.

UEFA's committee for the European Championships recommended late Sunday that the tournament be awarded to the two

countries, following a study of documents from the two soccer associations.

The venue for the 2000 tournament will be confirmed by a meeting of UEFA's Executive Committee on July 14, according to a statement issued Monday by the organization's headquarters near Geneva.

Euro 2000 would consist of 31 games in up to 10 stadiums, 16 to be held in Belgium

and 15 in the Netherlands, according to proposals submitted by UEFA.

The opening game would be held at the King Baudouin stadium, now under construction in Brussels and which should have 50,000 seats by 2000. It is being built on the remains of the doomed Heysel stadium.

The final would be held in the Amsterdam Arena, which is also under construction.

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ART BUCHWALD

A Christopher Threat

WASHINGTON—I finally met the person in charge of U.S. foreign policy in Bosnia. His name is Bob Miller, and he owns the Balkan Grill, which is three jogging blocks from the White House.

"Every morning the President stops in for scrambled eggs while he is running, and I tell him what he should do," Miller told me. "What is?"

"Remain tough, carry a stick and tell the Serbs if they don't stop picking on U.N. peacekeepers the president will send Secretary of State Warren Christopher to Paris."

"That's pretty powerful," I admitted.

Bob said, "I told the president that he has to supply weapons and ammunition to everyone in the area, but he must announce that he will not send American GIs to man Croatian foxholes."

"Why not?"

"Because of CNN. You can't have American boys fighting around Sarajevo if it's going to be covered by CNN. The public would never stand for it."

"If we don't have our own troops in the field, what can we do to persuade the Serbs to release the U.N. hostages?"

"I advised the president that

if they don't release them he should send Warren Christopher to Casablanca."

"What about American naval vessels?"

"I urged the president to send two nuclear carriers to Dubrovnik and have our planes fly over Macedonia."

"Will that make the Serbs listen to reason?" I asked Bob.

"We won't know until we try it. The president listens to everything I tell him. He even bought my idea of charging the Serbs with violations of the UN Charter, which meant that they would be banned from buying Marlboro cigarettes from the Free World."

"Does the president intend to send Larry King to see Senator Dole if all other negotiations fail?"

"Not now. He told me that if things don't pick up, he's going to ask Warren Christopher to see the Joint Chiefs of Staff. He wants Christopher to announce a second front from there as long as American troops are not involved."

Miller explained that the secret of Clinton's foreign policy is that he has one for even days of the week and one for odd. This keeps everyone involved in the Balkan theater off balance.

"The president doesn't care how much his popularity falls in the polls as long as he can persuade people that he's doing the right thing."

"I sure sounds like it to me," I said. "But if it wasn't for you, I doubt that he could pull it off."

"I don't want to take credit for everything," Miller told me. "But I did come up with the theory that the only way to win was to wage both an unconditional war and peace at the same time."

By Mel Gussow
New York Times Service

NEW YORK — In his eye-opening new book, "Landscape and Memory," Simon Schama journeys through "the garden of the Western landscape imagination" while exploring the topography of cultural identity.

A transplanted Englishman now rooted in American soil, Schama lives with his wife and their two children 20 miles (32 kilometers) north of New York in a house overlooking the Hudson River. Having grown up in London, he also has an affinity for cities.

On a recent spring morning, he sauntered through Central Park, ruminating about his book and about varieties of Arcadia. He talks the same way he walks, impulsively but with an intuitive sense of direction.

An observation is followed by an encyclopedic asides. Undeterred by a threat of rain in the air, he was filled with his customary ebullience (but he carried a fold-up umbrella).

"Landscape and Memory" began, he said, with a desire to probe "the painful relationship between German history and ecology," the fact that the Nazi regime could have been so conscientious about protecting the forest primeval.

In his book, Schama symbolizes the apparent contradiction with a gatefold reproduction of a painting by Anselm Kiefer: a bloody path through a forest.

From this starting point, the book moves back and forth in time and geography, from ancient Rome to Schama's family origins in Lithuania all the way to Miami Rushmore and the campaign to have Susan B. Anthony in granite next to the presidents.

In various cultures, both classic and contemporary, the author studies myths and how they relate to landscapes. Repeatedly, the subject of an idyllic, pastoral place, an Arcadia, arises.

In the last chapter, he focuses briefly on Central Park, praising its designer, Frederick Law Olmsted, for his vision of a heroic urban Arcadia.

For Schama, Central Park seems to encapsulate the double-sided nature of the Arcadian concept. The dreamlike version is, he said, "a place of effortless bucolic sweetness, where you can lie on your back and smell the grass while there's a faint noise of people hitting balls with bats." The nightmare version is "a slightly scary, sinister, dense place of sex and death."

Circling around the Metropolitan Museum of Art past groups of children playing on the grass, he talked about Olmsted and his collaborator, Calvert Vaux. From the beginning, their objective was to have both "tame and wild space, to get the rugged, fierce, luxuriant aspect of nature into the park, to have places where one could lose oneself."

At the same time, Olmsted wanted to make it a place of "silence, peace and repose away from the hills and agues of the city." With its tall trees, lush foliage and flowers, Central Park was, at that moment, a beautiful place, with the scenic intensity of a Turner landscape.

Speaking about landscape, Schama said, "There is a difference between land, which is earth, and landscape, which signifies a kind of jurisdiction. It always meant the framing of an image," as illustrated in his book by Magritte's work "La Condition Humaine," in which a painting on an easel is superimposed over the actual landscape.

"The word originally came from the Dutch and had to do with making pictures," he said. "From the earliest time, it has been loaded with wishful thinking. All the images we have of Yosemite are of Edenic places. You never see people in Ansel Adams photographs or Albert Bierstadt paintings."

"When Schama is not writing or teaching at Columbia University, he is often tending his garden. His wife, a geneticist, grows vegetables."

In "Landscape and Memory," he uses the word vegetable as a synonym for vegetation. "I suppose I call sequoia trees the biggest vegetables in the world," he admitted, "as if you could have a salad out of them."



Musing about the topography of Arcadia, Simon Schama pauses on the Bow Bridge in Central Park.

While focusing on history and art, Schama's books have been widely diverse, from "The Embarrassment of Riches," a study of Dutch cultural history, to "Citizens," his revisionist investigation of the French Revolution.

His next book will be about Rembrandt. If he had written the book a dozen years ago as originally planned, it would, he said, have been about Rembrandt and history. But he looked into the artist's life, he found that "all the things that are most extraordinary about him are almost entirely independent of historical process."

He joked that he might have to call the book "Rembrandt and the Thickness of Paint."

The stroll through Central Park brought to mind Hampstead Heath, his childhood haven. Walking from his home, he would go through a manicured park inhabited by wallabies. From there, he would enter "a dense, wild and completely uncultivated" region.

"The legends about highwaymen hanging around Spaniard's Inn added to the romanticism." As he talked about the places of his youth, he said, "I think the most intensely felt landscapes are the ones we walk through as a child."

"Look," he said, coming to a fork in the road. "An environmentally correct bog, with beautiful wild but-tercups in the middle of it." Following the downward path, he reached a small pond, with two ducks on the bank. "Hi, guys," he greeted them, and added, with a Groucho twinkle, "Why a duck?"

As he crossed Bow Bridge, he spoke about hermits: "Just below the lake, around the Belvedere, there was a cave but there was no residential hermit. If you auditioned for a New York hermit, there would be lines and lines of people applying. Around 1890 the cave was closed because undesirable people—not hermits—were sleeping in it."

Schama recently did a five-part se-

ries based on his book for the BBC, with the last film dealing with Arcadia. It begins with a landscape that could be either England or Italy: "Haze over the meadow, sheep nibbling grass. Then the camera pulls back. The first line you hear me say, not from the book, is, 'Arcadia has always been a pretty lie.' That's because of the notion that there's nobody around doing any of the work. The camera pans back and shows an abandoned tea party which has been invaded by insects."

Walking on, he reached the Bethesda Fountain, a quiet spot now but a gathering place for hippies in the 1960s. Schama named the four sculptural figures surrounding the fountain: "Temperance, Purity, Health and Peace. They're the point of the park in the first place." As he reached the end of his walk, it began to drizzle. With his umbrella raised, he headed toward the Metropolitan Museum to continue his cultural explorations indoors.

WEATHER

Europe

	Today	High	Low	Temp	Wind	Tomorrow	High	Low	Temp	Wind
Amsterdam	24-25	14-17	10-13	15-18	10-15	24-25	14-17	10-13	15-18	10-15
London	17-22	12-15	8-11	13-16	10-15	17-22	12-15	8-11	13-16	10-15
Paris	26-29	19-22	13-16	18-21	10-15	26-29	19-22	13-16	18-21	10-15
Rome	31-38	25-31	19-25	23-31	10-15	31-38	25-31	19-25	23-31	10-15
Berlin	23-27	17-22	11-16	15-19	10-15	23-27	17-22	11-16	15-19	10-15
Stockholm	14-19	11-16	7-10	12-15	10-15	14-19	11-16	7-10	12-15	10-15
Helsinki	13-18	10-15	6-9	11-14	10-15	13-18	10-15	6-9	11-14	10-15
Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
Warsaw	24-27	17-22	11-16	15-19	10-15	24-27	17-22	11-16	15-19	10-15
Prague	26-29	19-22	13-16	18-21	10-15	26-29	19-22	13-16	18-21	10-15
Brussels	17-22	12-15	8-11	13-16	10-15	17-22	12-15	8-11	13-16	10-15
Copenhagen	15-20	12-15	8-11	13-16	10-15	15-20	12-15	8-11	13-16	10-15
Stockholm	14-19	11-16	7-10	12-15	10-15	14-19	11-16	7-10	12-15	10-15
Helsinki	13-18	10-15	6-9	11-14	10-15	13-18	10-15	6-9	11-14	10-15
Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
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Copenhagen	15-20	12-15	8-11	13-16	10-15	15-20	12-15	8-11	13-16	10-15
Stockholm	14-19	11-16	7-10	12-15	10-15	14-19	11-16	7-10	12-15	10-15
Helsinki	13-18	10-15	6-9	11-14	10-15	13-18	10-15	6-9	11-14	10-15
Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
Warsaw	24-27	17-22	11-16	15-19	10-15	24-27	17-22	11-16	15-19	10-15
Prague	26-29	19-22	13-16	18-21	10-15	26-29	19-22	13-16	18-21	10-15
Brussels	17-22	12-15	8-11	13-16	10-15	17-22	12-15	8-11	13-16	10-15
Copenhagen	15-20	12-15	8-11	13-16	10-15	15-20	12-15	8-11	13-16	10-15
Stockholm	14-19	11-16	7-10	12-15	10-15	14-19	11-16	7-10	12-15	10-15
Helsinki	13-18	10-15	6-9	11-14	10-15	13-18	10-15	6-9	11-14	10-15
Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
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Helsinki	13-18	10-15	6-9	11-14	10-15	13-18	10-15	6-9	11-14	10-15
Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
Warsaw	24-27	17-22	11-16	15-19	10-15	24-27	17-22	11-16	15-19	10-15
Prague	26-29	19-22	13-16	18-21	10-15	26-29	19-22	13-16	18-21	10-15
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Copenhagen	15-20	12-15	8-11	13-16	10-15	15-20	12-15	8-11	13-16	10-15
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Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
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Prague	26-29	19-22	13-16	18-21	10-15	26-29	19-22	13-16	18-21	10-15
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Stockholm	14-19	11-16	7-10	12-15	10-15	14-19	11-16	7-10	12-15	10-15
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Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15
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Copenhagen	15-20	12-15	8-11	13-16	10-15	15-20	12-15	8-11	13-16	10-15
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Oslo	12-17	9-12	5-8	10-13	10-15	12-17	9-12	5-8	10-13	10-15